



Doing Business in Japan: 2009 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Japan

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Market Overview

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- Japan is the United States' fourth largest export market, after Canada, Mexico and China, and the second largest foreign investor in the United States, with more than \$200 billion invested, second only to the United Kingdom. Japan is also the world's second largest economy, with a GDP of roughly \$5 trillion in 2008.
- The U.S.-Japan alliance is a cornerstone of U.S. security interests in Asia and is fundamental to regional stability and prosperity. Despite the changes in the post-Cold War strategic landscape, the United States-Japan alliance continues to be based on shared vital interests and values. These include stability in the Asia-Pacific region, the preservation and promotion of political and economic freedoms, support for human rights and democratic institutions, and securing of prosperity for the people of both countries and the international community as a whole. Japan is one of the world's most prosperous and stable democracies.
- Japan enjoyed a long period of sustained, albeit shallow, economic growth from February 2002 until October 2007. However, Japan entered recession in 2008. Major firms in key export industries like automobiles and electronics began to decrease production and terminate contracts for temporary workers. Domestic spending also began to fall and the situation is generally predicted to worsen in 2009 if the global recession continues and domestic unemployment increases.
- Japan remains a promising market for U.S. exporters, however, with a market scale ranking near the top of developed nations. Partnerships with Japanese companies enable U.S. companies to leverage their respective strengths, which is vital to remaining globally competitive. Japanese companies emphasize enhancing product development and manufacturing efficiency, making Japan an ideal venue for innovation. Japanese companies continue to expand their market reach throughout East Asia and their established networks provide U.S. business partners with smooth access to these important markets.
- In 2008, according to U.S. Census Bureau data, the United States had a year-to-date trade deficit with Japan of \$72.7 billion, a decrease of 12.2 percent from 2007. U.S. exports to Japan totaled \$66.6 billion, while U.S. imports from Japan totaled \$139.2 billion.

- In 2007, according to U.S. Department of Commerce data, the United States exported \$41.1 billion worth of services to Japan, generating a surplus of approximately \$15 billion. Figures for the first three quarters of 2008 show U.S. exports of services to Japan increased by 10.7 percent on a year on year basis while service imports from Japan increased by 8.5 percent.
- In 2008, Japanese trade data indicate Japan's total exports by value decreased 3.4 percent and imports increased by 7.9 percent, with an 80 percent decrease in Japan's global trade surplus. The top ten exporters to Japan in 2008 were China, the United States, Saudi Arabia, Australia, United Arab Emirates, Indonesia, South Korea, Malaysia, Taiwan, and Germany. The top ten importers from Japan were the United States, China, South Korea, Taiwan, Hong Kong, Thailand, Singapore, Germany, the Netherlands, and Russia.

Market Challenges

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The difficulty of penetrating the Japanese market depends to a great extent on the product or service involved. Key variables include the presence or absence of local or third-country competition, the number of regulatory hurdles to be overcome, and cultural factors such as language (both spoken and written), strict service and quality expectations, and business practices.

Generally, tariffs on most imported goods into Japan are low. However, cultural, regulatory, or other non-tariff barriers continue to exist that can impede or delay the importation of foreign products into Japan. For more details, see Chapter 5 ([Trade Regulations and Standards](#)) of this report.

For details on Japanese requirements with regard to import license requirements, restricted or prohibited imports, temporary entry of goods, certifications, standards, labeling requirements, etc., please refer to Chapter 5 ([Trade Regulations and Standards](#)) of this report.

Market Opportunities

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The Japanese market offers numerous opportunities for U.S. companies in a wide variety of sectors. Best prospects for U.S. exporters in the Japanese market include the following sectors:

- Computer Software
- Cosmetics & Toiletries
- Education & Corporate Training
- Electronic Components
- Medical Equipment
- Pharmaceuticals
- Telecommunications Equipment
- Travel & Tourism
- Safety & Security

New Energy Power Generation
Aerospace
Soil Remediation & Engineering Services

For more details, please refer to Chapter 4, [Leading Sectors for U.S. Export and Investment](#), of this Guide.

The [Asia Now](#) program brings together the resources of U.S. Commercial Service offices in 14 Asia-Pacific markets and our [Export Assistance Centers](#) throughout the United States, providing U.S. firms with a single portal for exporting to the Asia-Pacific region. To find out more about [Asia Now](#), please visit our dedicated web site, <http://www.buyusa.gov/asianow>.

Market Entry Strategy

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U.S. companies wishing to enter the Japanese market should consider hiring a reputable, well-connected agent or distributor, and cultivating business contacts through frequent personal visits. Japanese attach a high degree of importance to personal relationships, and these take time to establish and nurture. Patience and repeated follow-up are typically required to clinch a deal. The culture and pace of deal-making in Japan are quite different from the United States. U.S. business executives are advised to be accompanied by a professional interpreter, as many Japanese executives and decision-makers do not speak English, or prefer to speak Japanese. For more details, please refer to Chapter 8 ([Business Travel](#)) of this report.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of Japan, please click on the link below to the U.S. Department of State Background Notes (<http://www.state.gov/r/pa/ei/bgn/4142.htm>)

Following the summary below, additional information is provided for: Government Role in the Economy; Infrastructure, Agricultural Products Market, and Japan's Leading Economic Regions: Tokyo, Northern Japan, Central Japan, Kansai, Kyushu/Yamaguchi, and Okinawa.

Summary:

Japan's industrialized, free market economy is the second-largest in the world. Its economy is highly efficient and competitive in areas linked to international trade, but productivity is far lower in protected areas such as agriculture, distribution, and services. Japan's reservoir of industrial leadership and technicians, well-educated and industrious work force, high savings and investment rates, and intensive promotion of industrial development and foreign trade produced a mature industrial economy. Japan has few natural resources, and trade helps it earn the foreign exchange needed to purchase raw materials for its economy.

After achieving one of the highest economic growth rates in the world from the 1960s through the 1980s, the Japanese economy slowed dramatically in the early 1990s, when the "bubble economy" collapsed, marked by plummeting stock and real estate prices. Japan eventually emerged from the post-bubble "lost decade" of the 1990s and enjoyed its longest period of sustained, albeit modest, economic growth in the post-war era.

This all changed, however, in 2008 with the sharp downturn in the global economic situation. Japan's economy entered recession, with real GDP contracting at a 1.1 percent seasonally adjusted annualized rate for the first three quarters of the year. Consensus forecasts project the recession to continue into 2009, as export-driven manufacturing sectors have been particularly affected by the global downturn. Japan's economy will have to contend with a rapidly aging and declining population, stagnant wages, ebbing consumer confidence, and tightening credit conditions. The January 28, 2009, IMF World Economic Outlook Update forecasts that Japan's GDP will shrink 2.6 percent in calendar year 2009 and recover to positive 0.6 percent in calendar year 2010.

Government Role in the Economy

Traditionally, the bureaucracy plays a leading role in the Japanese economy. Members of the National Diet, from whose ranks come most of Japan's Cabinet ministers, have small staffs and they rely on bureaucrats for policy initiatives and the drafting of legislation. In addition, the ministries have exercised power directly through the issuance of required licenses, permits and approvals that tightly regulate business activity. For much of the post-war period, ministries also issued informal (but in practice, virtually compulsory) directives called "administrative guidance" to industries which they regulated further controlling business activity. The reach of the bureaucracy has also been extended through a dense nexus of close relations with leading business organizations. In addition to the reliance of Japanese elected officials on campaign contributions from business, major industry associations and quasi-governmental regulatory bodies also provided lucrative post-government employment called *amakudari* (literally "descent from heaven") for senior bureaucrats as well as lower-level bureaucrats who regulate their industries. However, in 2007, the Diet approved legislation that established restrictions on the types of post-retirement jobs former senior government officials can accept and centralized authority for finding such employment in the National Personnel Agency. The aim of the legislation is, in part, to weaken the nexus between individual ministries and the industries they regulate.

The role of government institutions in the economy has been changing over the past decade as the central government pursues a long-term program of administrative reform and deregulation. In 2001, the bureaucracy was reorganized from 22 ministries and agencies to 13. A Cabinet Office was also established to coordinate policies and to provide staff support for Japan's leaders separate from the individual ministries. At the same time, the number of Diet members posted to senior positions in the ministries was increased from an average of two or three to five, to strengthen the control of elected officials over the bureaucracy. Through such measures and other administrative reforms, the bureaucracy's influence over the economy has diminished but by no means been eliminated completely.

All foreign exchange transactions to and from Japan — including transfers of profits and dividends, interest, royalties and fees, repatriation of capital, and repayment of principal — are, in principle, freely permitted unless expressly prohibited. Formal controls on the

allocation of foreign exchange and most restrictions on foreign investment have been removed. Nevertheless, the Japanese Government (GOJ) continues to play a significant role in promoting certain favored industries, and GOJ policy and regulatory practices in many cases still favor the interests of domestic producers.

While Japan's economic structure and business culture are somewhat different from that of the United States, U.S. companies can successfully adapt. The American Chamber of Commerce in Japan (ACCJ) is the largest overseas AmCham in the world. Its members come from more than 1,200 companies, and its 60- plus committees and sub-committees are highly visible lobbyists for U.S. business interests. U.S. Embassy officers liaise with more than 20 of these committees, and work closely with the ACCJ on market access and investment issues. Some knotty regulatory barriers and discrimination still exist, and when a company cannot solve such problems by itself or through its legal advisers in Japan, the U.S. Government stands ready to help.

Infrastructure

Japan has a fully developed physical infrastructure of roads, highways, railroads, subways, airports, harbors, warehouses and telecommunications for distribution of all types of goods and services. Toll roads, however, are expensive. Japan's airports are also among the most expensive in the world. Landing fees at the Narita and Haneda airports in Tokyo are approximately 50 percent higher than New York's JFK airport. Japan's port practices are generally inefficient by developed country standards and import processing, while improving, remains relatively slow.

Agricultural Products Market

The value of Japan's agricultural production has been falling since the mid-1980s, with key sectors seeing decreasing production in most years. Cereals, rice, dairy, beef and pork, and fruits and vegetables are all experiencing this decline to greater or lesser degrees. Rice remains Japan's major crop, but falling consumption has led to chronic surpluses. Japanese policy makers are concerned because Japan currently imports 60 percent of its food (on a calorie basis). Japan's self-sufficiency rate in food production is likely to further decrease since Japan's farm population is rapidly aging, with more than 70 percent of farmers over 60 years of age and few young people willing to go into farming. In addition, the average farm size is only about four acres and environmental regulations and land ownership rules tend to limit economies of scale for Japanese agriculture.

To stem the decline in Japan's agricultural sector, the GOJ continues to provide high levels of domestic support and the government and farm cooperatives still exert a powerful influence over farmers' production decisions. When Japan's Agriculture Basic Law was revised in 1999, the GOJ set the goal of achieving a food self-sufficiency rate of 45 percent by 2010. To achieve this, the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) encouraged farmers to grow wheat and soybeans in place of rice, and introduce more market-oriented pricing policies for dairy, vegetable, and livestock products. However, MAFF has recognized that its goals for 2010 are unrealistic, given the decline in the Japanese agricultural sector over the past 10 years and has extended the deadline until 2015. After months of negotiations, Japan finally passed a rice reform program that will end its costly production adjustment program by 2009. The program will shift responsibility for production planning from MAFF to farm co-ops, increase

subsidies to large farmers, and open domestic rice distribution to more players. In 2005, MAFF announced the outline of a new farm subsidy program that departs from the current commodity-specific support given to practically all farmers and launches direct payments targeting larger scale farmers. The new scheme began in 2007.

Though domestic protection is still strong, market access has improved over the years via persistent negotiations in the WTO by the United States and others that forced Japan to eliminate some of the agricultural market access barriers for which it was once famous. Where earlier quotas and outright bans restricted the market for U.S. beef, citrus, fruit juice, cherries, apples and ice cream, all of these markets have now, to some degree been opened. However, access issues still hamper farm trade due to high tariffs on processed food products, restrictive plant quarantine measures on fruits and vegetables, trade-limiting quotas and complicated labeling practices. In addition, a stringent system of regulation for agrochemical residues including strict inspection of imported foods and a time-consuming approval process for biotechnology products also hinder trade in agricultural products.

The combination of improved market access and declining domestic production resulted in excellent export growth for U.S. agriculture through most of the 1990s, and made Japan our top overseas export market. In recent years, due in part to the ban on U.S. beef, Japan has slipped to the number three export market after Canada and Mexico. In 2007, about 11.5 percent of all U.S. agricultural, forestry and fishery products exports, valued at \$11.6 billion, were destined for Japan. While Japan is still a competitive environment for U.S. food products due to the country's recession, tough third-country competition, and food safety and food image concerns, long-term prospects are excellent for the following reasons: (1) growing consumer demand for value plays to U.S. strengths (U.S. foods typically cost less than local products); (2) Japanese agriculture continues to decline, leading to increased dependence on imports for stable food supplies; and (3) continued westernization of the Japanese diet away from fish and rice toward meats, dairy products and other U.S. staples. Export stars include wheat, soybeans, corn, pork, frozen corn and mixed vegetables, citrus, wine, cherries, and processed snack foods. For additional information about U.S. agricultural, food, forestry and fishery product exports to Japan and other countries, please see the Foreign Agricultural Service Homepage at:

<http://www.fas.usda.gov/scripts/attacherep/default.asp>

Leading Economic Regions: Tokyo

Japan's capital city Tokyo (population 12.6 million) forms the core of an urban area that, along with the suburban prefectures of Kanagawa, Saitama, and Chiba, boasts a total population of over 34 million, roughly equivalent to the New York and Los Angeles metropolitan areas combined. It is Japan's undisputed center of government, business, higher education, information, media, fashion, and culture. The entire geographical region centered on the capital — often referred to as the "Kantō" — accounts for about one-third of Japan's total GDP.

Most major Japanese companies, trade associations, and foreign companies have their headquarters or major branches in Tokyo. Consumers in the capital are more likely to come into contact with foreign products, foods, and fashions than elsewhere in Japan, and consumer trends often originate in Tokyo. For U.S. firms, the major advantages of establishing a presence in Tokyo, despite the high cost of residential and office space,

are the city's concentration of major companies and high-income consumers, proximity to the powerful central government regulatory agencies, and location at the hub of Japan's highly centralized transportation networks, including its two busiest airports: Narita and Haneda. In addition, major urban renewal schemes completed or underway in metropolitan Tokyo have contributed to lower land and business costs in recent years.

Attractive areas for U.S. exporters in the greater Tokyo area are environmental technologies, biotechnology, information and telecommunications technologies, medical equipment and welfare services, and the lifestyle market. In addition to local and regional activities in support of foreign enterprises, Japan's Ministry of Economy, Trade and Industry (METI) has selected four areas in Japan to receive additional national assistance for incentives and promotion of foreign direct investment in particular industries. These areas include the city of Yokohama in neighboring Kanagawa Prefecture (for IT and electronic components) and Chiba Prefecture (for biotechnology).

Northern Japan (Hokkaido/Tohoku)

Northern Japan (Hokkaido and the six prefectures of northern Honshu called Tohoku) — has a combined population of 15.3 million and a Gross Regional Product (GRP) of approximately \$527 billion. Hokkaido, located roughly 500 miles north of Tokyo, is Japan's northernmost island, with a GRP of \$197 billion. The Commercial Service office in Sapporo covers four of the six prefectures in northern Honshu: Aomori, Akita, Iwate, and Miyagi (in addition to Hokkaido).

These prefectures comprise Japan's agricultural heartland, with dairy production and farming in Hokkaido and highly prized rice growing in Akita and Miyagi. Hokkaido leads Japan in production of sugar beets, kidney beans, potatoes, wheat, soybeans and many other agricultural products. Hokkaido residents, however, are not predominantly farmers with only 5.2 percent of Hokkaido's 2.8 million jobs in farming. Hokkaido's economy mostly depends on services (71.3 percent of the workforce) and construction (19 percent).

Tourism is a major economic activity thanks to the region's relatively unspoiled natural beauty. Hokkaido, in particular, is showing gains in its tourism industry with the total number of visitors to Hokkaido increasing to 6.49 million people in 2007, an increase of over 170,000 people compared to 2004. This upturn is mostly attributable to an increase in the number of foreign tourists. Official statistics show that the number of foreign visitors to Hokkaido grew by 20.4 percent to 710,950 people in 2007 compared to 590,650 in 2006. Visitors from Asia and Australia were the largest contributors to the increase in foreign visitors.

Northern Japan's well-developed infrastructure, highly skilled workers, and relatively low real estate costs, combined with municipal and regional government investment incentives, have prompted many U.S. companies to view Hokkaido and Tohoku as attractive locations for investment and overseas operations. More firms are showing interest in purchasing properties in northern Japan. As for export opportunities, home building materials and interiors, packaged homes, sporting/outdoor goods and equipment, marine products, pharmaceuticals and medical equipment continue to be particularly promising sectors in northern Japan.

In 2007, northern Japan's direct imports from the United States totaled approximately \$2.1 billion. More than \$1.6 billion in additional U.S. imports to northern Japan also entered Japan through Tokyo, Yokohama and Osaka before being transshipped to their final destination in the north. These transshipment costs — and high transportation costs in Japan, in general — can

add significantly to the costs of shipping products from the United States to seaports and airports in northern Japan. As a result, container traffic from the United States is increasing at the ports of Ishikari and Tomakomai (both convenient to Sapporo) and Hachinohe (in Aomori Prefecture) and Sendai, as a way to reduce transportation costs. Northern Japan's two main international airports — Chitose (Sapporo) and Sendai — have good passenger and cargo handling capacities and are eager to develop more international routes. Growing economic ties with the Russian Far East and the prospect of future development in Russia's oil and gas sector have led to regular commercial flights between Hokkaido and Sakhalin.

Central Japan (Chūbu)

Central Japan (or the Chubu region) is strategically located midway between the Tokyo (Kanto) and Osaka (Kansai) metropolitan areas. The regional Commercial Service office in Nagoya covers nine prefectures: Aichi, Fukui, Gifu, Ishikawa, Mie, Nagano, Shizuoka, Toyama, and Yamanashi. Taken together, these nine prefectures have a population of 21 million, making Central Japan the third most populous region in the country. Most of the region's population and industry is concentrated along the Pacific coast, in the three-prefecture Tokai area – Aichi, Gifu, and Mie – plus Shizuoka.

Central Japan is the manufacturing heartland and export leader of Japan. Supported by well-developed infrastructure and advanced technology, the region is home to many world-class Japanese manufacturers such as Toyota, machine tool giant Yamazaki Mazak, power tool makers Okuma and Makita, office automation producer Brother Industries, and diversified conglomerates including Honda, Yamaha, and Suzuki. Toyota Motor Corporation, the region's largest company and symbol of its manufacturing might, is supported by hundreds of second and third-tier firms including manufacturers such as Denso, Aisin, Aichi Steel, and Toyota Industries. Japan's ¥1.4 trillion aerospace sector, about half of which is based in Chubu, is led by Mitsubishi Heavy Industries (MHI). Kawasaki Heavy Industries and Fuji Heavy Industries are also major suppliers for U.S. aerospace firms including Boeing.

Aichi Prefecture (capital: Nagoya) is the political, economic, and transportation center of the region. It has ranked first among all Japanese prefectures in the value of its product shipments for since 1977. The region accounts for about 2 percent of the world's GDP, 18 percent of Japan's GDP (roughly equivalent in size to the economy of India, Brazil or South Korea), and more than half of Japan's total trade surplus with the United States.

Through its close relationship with Central Japan public and private sector entities, the Commercial Service in Nagoya works to uncover commercial opportunities for U.S. firms in a variety of sectors. Despite the economic downturn, good prospects exist for U.S. firms in alternative energy consumer goods, automotive parts (particularly ones focusing on electric or hybrid vehicles), motorcycle, aerospace, manufacturing equipment and systems, intelligent transportation systems (ITS), environmental remediation, and business aviation.

Kansai

Kansai is the name given to the nine-prefecture region of western-central Japan, consisting of Osaka, Hyogo, Kyoto, Shiga, Nara, Wakayama, Mie, Fukui, and Tokushima. The Kansai region is Japan's second-largest industrial, financial, commercial and population center after the greater Tokyo area (Kanto). Located about

halfway between Tokyo and the southern tip of Honshu, Japan's largest island, it is the birthplace of many of the country's largest trading companies' and headquarters to a number of Japan's leading corporations including Nintendo, Kyocera, Sharp and Panasonic.

While occupying only 11 percent of Japan's total land area, the Kansai has a population of 24 million people (19 percent of Japan's total), concentrated primarily in the cities of Osaka, Kobe and Kyoto. Kansai is an economic giant, with traditional industries of digital consumer electronics, electronic components, pharmaceuticals, chemicals, and textiles led by cutting edge new tech sectors such as biotechnology, nanotechnology, industrial ceramics, robotics and photovoltaic power technology. In FY 2005, Kansai's GRP (Gross Regional Product) was ¥101.1 trillion (\$923 billion at \$1=¥110). If considered a country in its own right, the Kansai would rank as the 10th largest economy in the world and be comparable in size to countries like the Netherlands or Australia.

The Kansai region has a very efficient and comprehensive transportation infrastructure. Kansai International Airport is the only 24-hour airport operating in Japan. Other airports servicing domestic locations throughout Japan include Osaka's Itami Airport and Kobe Airport. Kansai's regional rail network includes an extensive metro and bullet train service that connects Osaka, Kobe, and Kyoto to major cities in Japan.

Kansai's historical role as Japan's commercial center provides many advantages for U.S. companies looking to enter the Japanese market. The region's superb transportation, communication and infrastructure links are supported by a progressive, entrepreneurial business climate. As a result, innovative new products ranging from the world's first blue light emitting diode to instant noodles have started in Kansai. This innovative spirit has created some of the world's most profitable companies, with nine Kansai companies included in Fortune's recent list of the world's highest-earning corporations. Kansai consumers, who have a reputation for being demanding, have also helped make the region a key test market for new products in Japan. Proctor and Gamble, among other large consumer goods companies, consider the area an ideal place for product testing and market acceptability studies.

Data released for the first half of 2008 showed continued strength in private capital investment in the Kansai region. According to the Ministry of Economy, Trade, and Industry, there were 139 factory construction projects underway in the Kansai region as of June 2008. Investments by some of the region's largest companies in areas such as LCD/plasma flat-panel displays, photovoltaic cells, and lithium battery production helped account for this total. Reflecting the deepening economic crisis in late 2008, however, major digital appliance manufacturers such as Kansai-based Sharp and Panasonic announced steps to decrease production and reduce spending. These two firms are continuing to build new factories but have begun to alter investment plans in light of the sudden drop in consumer demand.

The Osaka Customs Office reported \$141.5 billion (\$1= ¥117.76) in total exports from the Kansai and \$110.9 billion in imports for 2007. These record-high international trade figures represented 9.3 percent and 7.8 percent increases over 2006. In 2007, Kansai exported \$20.4 billion in goods and services to the United States and imported \$9.2 billion during the period. The \$9.2 billion in U.S. imports represents a slight drop from the 2006 level of \$9.5 billion. Preliminary trade data released for the first half of 2008

indicates a more significant drop with U.S. imports dropping by 5.1 percent and Kansai exports dropping by 10.9 percent.

The U.S. Commercial Service Osaka-Kobe provides an extensive array of products and services designed to help U.S. companies capitalize on opportunities here. Working closely with the American Chamber of Commerce in Japan (ACCJ) and other local multipliers, CS Osaka helps promote U.S. products, services and tourism through the organization of targeted events, U.S. Pavilions at trade fairs, market research, business counseling, networking, partnership searches, key introductions, and advocacy.

Kyushu/Yamaguchi Region

The Kyushu/Yamaguchi Region of southwestern Japan consists of seven prefectures on Kyushu Island (Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki, Kagoshima) and Yamaguchi prefecture on the southern tip of Honshu, with a combined population of over 15 million. The region's \$435 billion economy constitutes Japan's fourth largest economic center, representing about 10 percent of national GDP – comparable in size to the Netherlands. This region is traditionally known as Japan's gateway to Asia and enjoys extensive historical, cultural, and trade ties with continental Asia, particularly South Korea, Taiwan and mainland China. The United States remains an important trading partner, but trade with Asia is predominant and Kyushu is becoming increasingly integrated into the East Asian regional economy.

Kyushu has a strong agricultural sector, producing about 20 percent of Japan's agricultural output, and ranks first in Japan in livestock output. But its dynamism stems from a diversified economy that includes many high-tech industries. Dubbed Japan's "Silicon Island", Kyushu accounts for 25 percent of Japan's total production of semiconductors. U.S. companies like Texas Instruments and Teradyne have facilities here. Northern Kyushu also boasts nearly 10 percent of Japan's automobile output, with Toyota, Nissan, and Daihatsu operating state-of-the-art final assembly facilities, and Honda has an advanced motorcycle plant in the region. Kyushu is also home to Japan's leading shipbuilding production, Japan's two space-launch facilities, and Yaskawa Electric, one of the world's leading robotics manufacturers.

With a population of 1.3 million, Fukuoka City is the economic, educational, and cultural center of Kyushu. While manufacturing is prevalent in Fukuoka prefecture's surrounding areas, the city's economy is services-based, with many large retail outlets and regional headquarters offices for banking, insurance, and real estate. The city enjoys excellent transportation infrastructure, including Kyushu's principal international airport, high-speed ferry service to South Korea, and the southern terminus for Japan's bullet train network.

The Economic/Commercial Section of the U.S. Consulate in Fukuoka has been actively assisting U.S. businesses and promoting their interests in the region for over 40 years. The Consulate believes many sectors of the Kyushu/Yamaguchi economy offer promising opportunities. With its long history of openness to foreign influences, the Fukuoka area has an established reputation as a useful test market for new consumer products, services, and retail concepts before they are expanded to wider areas of Japan. Major U.S. companies have established research and production facilities in electronics, computers, and medical devices, and are also active in architecture, design and construction, energy, insurance and finance. A sector of growing interest is

environmental products and services. Good export prospects exist in many other sectors, including building materials, medical equipment, and health care products.

Okinawa

Okinawa Prefecture has a population of 1.38 million and a Gross Prefectural Product of approximately \$37.3 billion (¥3.92 trillion/\$1=¥105). By Japanese standards, Okinawa's market is relatively small but there are still significant opportunities for U.S. businesses. U.S. companies are aided by the fact that, due to their history, Okinawans tend to be open to imported goods and are already familiar with many U.S. products. Okinawa also has the youngest workforce in Japan, a workforce that is well educated and, thanks to a robust birthrate, still growing. In addition, Okinawa also has the lowest wages in Japan and offers a wide a range of subsidies and tax incentives for potential investors and employers.

The two largest sectors of the local economy are construction and tourism, areas in which U.S. companies excel. One large-scale public investment project in the works is the "Okinawa Institute of Science and Technology (OIST)," a project that the prefectural government hopes will play a major role in the economic and social development of Okinawa in coming years. Among other projects currently in progress is the construction of a new airport on Ishigaki Island.

The number of tourists visiting Okinawa continues to grow steadily. In 2008, despite the worsening economic conditions, a record 6 million people visited the island. In order to exploit the steadily increasing numbers of tourists visiting Okinawa, foreign and domestic companies from outside Okinawa have begun taking an active interest in investing in the island's tourism industry. There are also efforts underway to create a gaming industry in Okinawa. Okinawa offers U.S. firms potential business opportunities in connection with first class resort hotels and hotel operations, marine sports, outdoor equipment and related services.

Okinawa Prefecture is also promoting policies that encourage the introduction of Foreign Direct Investment. For example, Okinawa has established Japan's first Special Free Trade Zone and is offering various tax incentives, including exemptions from national and local taxes, to those companies who locate in this zone. In addition, Okinawa has established a separate Information and Communications Industry Promotion Zone and a Financial Businesses Promotion Zone that offer similar benefits and include subsidies to promote the employment of Okinawan youth and support measures to reduce the cost of domestic and overseas communications.

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Using an Agent or Distributor

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For some companies, establishing a direct presence in Japan is the best way to enter the Japanese market, but this can be an extremely expensive strategy. The use of agents/distributors is a more realistic first step for most small- or medium-sized U.S. firms, but this approach requires great care in the selection of the representative.

Distributors in Japan usually cover a specific territory or industry. Importers are often appointed as sole agents for the entire country, although this is not a statutory requirement. In some cases exclusivity may be necessary to ensure a strong commitment by the Japanese agent towards expanding sales, but under no circumstances should a U.S. company be pressured into handing over control of the whole market if there is doubt as to the ability or willingness of the Japanese company to develop the entire market. Regional exclusivity, a limited term of representation, minimum sales, or qualitative indicators of sales efforts are good strategies if one is considering offering an exclusive agency arrangement.

While the Japanese Fair Trade Commission has guidelines applicable to exclusive agency contracts, there are no statutory damages required upon termination of an agency. Given the close-knit nature of business circles and the traditional wariness towards foreign suppliers in Japan, replacing an agent or distributor could damage a U.S. firm's reputation if not handled sensitively. A U.S. company should at all costs avoid being viewed as lacking adequate commitment to its Japanese business relationships. Japanese agents may request "parting compensation" in the event the foreign exporter decides to dissolve a business relationship. Since this is a common practice in this market, U.S. companies should address this eventuality prior to executing a contract.

U.S. firms interested in the Japanese market are cautioned against trying to use lists of importers for "cold calls" on prospective agents. The Japanese prefer to do business with someone only when they have been properly introduced and have met face-to-face. To help dispel reluctance on the Japanese side, an introduction by a "go-between" typically serves to vouch for the reliability of both parties. Appropriate third parties for such introductions include other Japanese firms, U.S. companies that have successfully done business in Japan, banks, trade associations, chambers of commerce, the U.S. Department of Commerce and the U.S. Commercial Service in Japan (CS Japan). U.S. state representative offices in Japan, JETRO, the American Chamber of Commerce in Japan (ACCJ), and Japanese Government ministries can also offer assistance.

U.S. companies should be selective in choosing a Japanese business partner. Credit checks, a review of the Japanese company's industry standing and existing relations with Japanese competitors, and trust building are all part of the process. Many problems can be avoided by carrying out comprehensive and professional due diligence. CS Japan can help U.S. companies identify prospective business partners in Japan. Find out how by visiting <http://www.buyusa.gov/japan/en/partner.html>.

Part of the difficulty in choosing a Japanese agent is assuring that the agent will devote sufficient attention to expanding the market share of the U.S. product. Distributors that target only limited, high-price niches, that are bound by strong ties to one particular industry group (*keiretsu*), that fail to compete directly with established Japanese products, or that are not prepared to pursue volume sales for the U.S. exporter should be avoided. U.S. firms should also be wary of distributors that handle competing lines or are subject to other potential conflicts of interest.

Another important factor that merits consideration is sales commissions paid to agents and distributors. Under an agency contract, the supplier normally invoices the agent for the same amount that the agent will sell to the customer ("back-to-back"). The supplier then pays a sales commission to the agent at the percentage provided for in the agency contract or agreement. Under a distributorship contract, the supplier sells the product to the distributor, who is then free to add to the purchase price whatever markup it chooses in determining the sales price to the customer. Commission rates vary according to the product and contract terms. Generally speaking, sales commissions range from ten to twenty percent for "spot" (one-time or irregular) transactions, and from five to ten percent for regular, ongoing business transactions. In the case of bulk materials (e.g., iron ore or coal), however, commission rates are much lower, in the neighborhood of one to three percent. In the case of medical, laboratory, and scientific analytical instruments, commission rates typically are much higher, in the neighborhood of twenty percent or even higher.

Japan's business world is small and relatively concentrated, both politically and economically. Business relationships are formed, conducted, nurtured, and ended with an unusual degree of attention to appearances and decorum. Caution and diplomacy are therefore warranted if an overseas company wishes to sever its relationship with its existing Japanese agent or distributor.

Once an agent/distributor agreement is signed and the U.S. company's products gain a foothold in the Japanese market, the U.S. company may want to consider establishing a representative office in Japan (see below) to support the distributor's sales and marketing efforts and to facilitate communications with U.S. company headquarters. A technical engineer is often best suited for this role because such a person generally understands product capabilities and end-user requirements. This is, of course, more of a long-term consideration, but one that U.S. companies may wish to consider in putting together their strategic mid- to long-term plan for Japan.

Establishing an Office

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U.S. companies may wish to examine programs of Japan's Ministry of Economy, Trade & Industry (METI) for promoting foreign investment into Japan. Programs include loans available through the Japan Bank for International Cooperation and the Development

Bank of Japan. Entry-level business-support programs are provided by the Japan External Trade Organization (JETRO) as well as by some municipal and prefectural governments. Current information on investing in Japan, establishing an office, and other JETRO programs for foreign businesses can be found on JETRO's website at <http://www.jetro.go.jp/en>. Please also review Chapter 6 of the Country Commercial Guide under the section "Investment Climate." Finding suitable local labor is also a concern for U.S. companies seeking to establish an office in Japan. There are a number of executive search firms in Japan that can help address this important issue. For a list of some of these firms, please visit the website for the Commercial Service in Japan, <http://www.buyusa.gov/japan/en> or the American Chamber of Commerce in Japan's website <http://www.accj.or.jp>.

Franchising

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The latest industry statistics show that the total number of franchise chains was 1,246 (up 4.3 percent or 52 chains from a year earlier) in 2007; the number of stores/outlets was 235,686 (up 0.1 percent, or 246 stores/outlets). The aggregate size of the 2007 franchise market was ¥20.3 trillion (\$173.5 billion at an exchange rate of ¥117.04 to \$1), which compares to ¥19.6 trillion (\$167.5 billion) in 2006. Approximately 37.2 percent of total sales at franchised outlets are from convenience stores (CVs) and about 19.8 percent from food service chains.

U.S. franchising has heavily influenced the development of Japan's franchise industry since in the early 1970s. Although Japanese consumers are generally receptive to U.S. franchise concepts, products and services may have to be adjusted to local tastes and expectations to ensure success in Japan. U.S. franchisers have a number of ways to enter the Japanese market, such as establishing a wholly-owned subsidiary as a master franchise with a flagship store(s), seeking a joint venture partner to develop the market in Japan, or entering into an agreement with a master franchisee.

Identifying the right business partner in Japan requires time and effort, and it can be difficult to find companies that are willing to invest in master franchise rights in business concepts that do not have a clear market or strong growth potential in Japan. Therefore, prudent market research and a long-term commitment are required for U.S. companies that consider launching a franchise business in Japan.

Direct Marketing

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The scale of direct marketing in Japan, which includes mail order, telemarketing, direct response television, and Internet sales, is still modest by U.S. standards. However, business-to-consumer internet shopping is increasingly used and is growing by 20-30 percent annually. The consumer internet market reached ¥5.3 trillion (\$51.5 billion) in 2007, which is roughly one-fourth that of the United States. Japanese are more likely to buy online than in the past due to continuous revisions to credit card and e-commerce laws that provide increased protection for consumers, including protection against identity theft. Consumers, especially young people, are beginning to shop through their mobile phones, and U.S. exporters wishing to sell products targeting young people on the web may want to revise their webpage structures for mobile access.

Shopping from foreign catalogs, whether hard copy or on the web, is generally referred to as “personal importing”. This surged in the mid-1990s due to the novelty of the concept, a very strong yen, and a growing appreciation of foreign consumer goods. Although providing adequate customer service and handling product returns challenged those firms that did not have in-country representation, many U.S. companies enjoyed an enormous expansion of orders from Japan.

Since 1996, the relative strengthening of the dollar and the passing of the “fad” component of the boom caused the market to cool considerably. However, recent appreciation of yen has made U.S. prices more appealing, and there may be some opportunity for U.S. companies that can offer Japanese consumers high quality products with unique attributes. Products Japanese consumers currently order from abroad include apparel, accessories, books, magazines, toiletries, and cosmetics.

U.S. companies must overcome a number of challenges such as language, international shipping costs, customs regulations, tariffs on several consumer items, and other issues when marketing directly to a Japanese consumer (e.g., sizes in metric). In addition, U.S. companies should be aware of the Personal Information Protection Law, implemented in 2005, which restricts the sharing/trading of personal data. It can be difficult for U.S. catalogers to obtain effective mailing or contact lists.

In the case of “personal imports”, which are not regulated as commercial imports are, goods must be shipped directly from the United States to the consumer for the consumer’s personal use. U.S. companies with a local representative to assist with Japanese consumer personal imports should note that the promotion of certain items (cosmetics, supplements, etc.) by local representatives is subject to the same laws and restrictions as products that are commercially imported.

Joint Ventures/Licensing

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U.S. companies often consider joint ventures or licensing agreements when considering entering the Japanese market. For the latest information on regulations and procedures for establishing an operation in Japan, please visit the JETRO website at <http://www.jetro.go.jp/en>.

Although the vast majority of U.S. commercial exports to Japan do not require export licenses, the export of any form of technical data from the United States can be subject to U.S. export control laws. In such a case, a thorough review of the U.S. Department of Commerce’s Export Administration Regulations (EAR) should precede the signing of any licensing agreement. To learn more about the EAR, please visit the following web sites:

Bureau of Industry & Security: <http://www.bis.doc.gov>

Government Printing Office's EAR database:
http://www.access.gpo.gov/bis/ear/ear_data.html

Selling to the Government

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On January 1, 1996, Japan implemented the WTO Agreement on Government Procurement (GPA) in an effort to expand opportunities for foreign firms and increase

international competition in government procurement in Japan. The Agreement extended coverage to include the procurement of services as well as procurement throughout Japan by what are referred to as "sub-central government entities." These entities include all prefectural (regional) governments in Japan, major cities and designated municipalities, and a host of other quasi-governmental agencies, corporations, companies and authorities.

Government procurement contracts covered by the Agreement must have a value not less than the thresholds (denominated in special drawing rights of the International Monetary Fund or "SDRs") specified by the Agreement, and include the procurement of products and services by purchase, lease, or rental by the agencies and organizations subject to the Agreement. Under the GPA, the specified threshold for procurement by central government entities is 130,000 SDRs (except for construction and architectural, engineering and other technical services). As a voluntary measure, Japan issued SDR thresholds beyond those specified in the Agreement, e.g., 100,000 SDRs for procurement by central government entities. For sub-central government entities, with the same exceptions noted above, Japan's voluntary threshold is 200,000 SDRs.

There are three types of government tendering procedures in Japan covered by the Agreement: 1) open tendering; 2) selective tendering; and 3) limited or single tendering. Under an open tender, the procuring entity publishes an invitation for qualified suppliers to participate in the tendering process. Contracts are awarded to the bidder that offers the greatest advantage in terms of price. Selective tendering is done in cases when the number of potential suppliers is limited (due to the nature of the contract), or when open tendering is otherwise regarded as inappropriate. In this case, the procuring entity designates those companies it considers capable from a list of qualified suppliers and invites them to bid. Again, the contract is awarded to the bidder with the best price advantage. Limited or single tenders are used in a variety of cases where products or services cannot be obtained through open or selective procurement procedures, where there has been an absence of bids in response to a public notice, where it has been determined there is a need for protection of exclusive rights such as patents, or where the procurement is of extreme urgency.

Open tender and selective tender invitations are published in Japan's official (central) government procurement gazette or *Kanpō* — <http://kanpou.npb.go.jp> — or in an equivalent regional-level or local publication. The procuring entity publishes the invitation to tender at least 50 days (40 days is required by the GPA) in advance of the closing date for receipt of bids. In order to increase access opportunities for foreign suppliers, as a voluntary measure, many procuring entities publish notices on the use of limited (closed) tenders at least 20 days in advance of the awarding of a contract. When the tender is announced on open bids, the type and quantity of products, time limits set for submission of bids, and names and contact data of the procuring entity are published within the announcement in English. Notices on selective tendering also outline the requirements necessary for firms to be designated for participation in the tender bidding process. Most companies find it useful to contact the procuring entity directly with any specific questions before a tender is submitted for consideration.

Japan's Ministry of Foreign Affairs (MOFA) hosts a Government Procurement Seminar every April where central government procuring entities explain their procurement plans for the fiscal year. Individual ministries sometimes follow this with their own seminars. Notice of these meetings can also be found in the *Kanpō* gazette. U.S. suppliers can find information about Japanese government procurement on the Japan External Trade

Organization (JETRO) website at <http://www.jetro.go.jp/en/matching/procurement>, or on the MOFA website (<http://www.mofa.go.jp/policy/economy/procurement>), which has suggestions for accessing the government procurement market in Japan as well as a detailed list of contact points for entities covered by the Agreement.

Potential suppliers must first be qualified by the procuring agency and registered on the tendering agency's permanent list of qualified suppliers. Each procuring entity in Japan specifies the qualifications required of any potential supplier participating in open or selective tenders. Procuring entities are allowed to review a company's capacity to implement a contract, including the scale of business and past business performance. In most cases, Japanese subsidiaries, agents, or distributors of a U.S. company can register on behalf of the firm. Documents required for qualification are set out in the public notice, but typically include: an application form, registration certificate, company history, financial statements, and tax payment certificate. The qualification is usually valid for one to two years.

Sealed bids must be submitted to the designated location by the closing date and time specified in the tender notice. Although a five percent guarantee fee is stipulated, payment is usually waived since those participating are normally pre-qualified. If there are tenders made by unqualified suppliers or in violation of the tender requirements, the procuring entity will rule them invalid and notify the unsuccessful bidder. The contract is normally awarded to the lowest qualified bid and bidders are informed of the result in writing by the procuring entity.

Pursuant to the 1996 GPA, Japan has established a mechanism to process complaints about procurements by entities other than sub-central government entities. Complaints by qualified bidders may be filed with the Secretariat of the Board in the Office for Government Procurement Challenge System (CHANS), Coordination Bureau, Cabinet Office. For additional information, please visit http://www5.cao.go.jp/access/english/chans_link_e.html.

Further information on recent developments regarding Japanese government procurement can be found in Japan's most recent submission to the WTO Trade Policy Review Mechanism: http://www.wto.org/english/tratop_e/tp311_e.htm

Distribution and Sales Channels

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Distribution channels in Japan have undergone much consolidation over the past two decades. Many of the traditional channels have been streamlined, yet complexities still exist. Paradoxically, in some sectors, cutting edge technologies have been applied to channels that nevertheless retain significant structural inefficiency and redundancy for societal reasons. Channels vary significantly between consumer goods and industrial products. For detailed information on distribution channels for specific products and sectors, it is best to contact the relevant Commercial Specialist at the Commercial Service in Japan. For a contact list, please visit the Commercial Service Japan website: <http://www.buyusa.gov/japan/en>

Selling Factors/Techniques

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As in the United States, sustained personal contact with customers is an excellent approach for market entry and expansion in Japan. Having a visiting U.S. company

representative accompany the firm's Japanese agent or distributor on visits to existing or potential customers strengthens the potential for sales. Such joint sales calls demonstrate commitment to clients and provide unparalleled opportunities to obtain market feedback.

Learning how to negotiate and maintain relationships with Japanese face-to-face can significantly increase a U.S. company's chances for success in the market. Japanese language skills and familiarity with the nation's culture and etiquette can be invaluable. Be prepared to attend after-hours social events: these informal gatherings go a long way towards establishing mutual trust and understanding between new partners. It has been said that many business deals in Japan are made "after five," though this does not mitigate the important role that price, quality and after-sales service play in making an export sale.

Initial contact between Japanese firms is usually formal and made at the executive level, with more detailed negotiations often delegated to the working level. Typically, the point of an initial meeting is to allow the parties to become acquainted, to establish the interest of the calling party, and to allow both sides an opportunity to size each other up. Don't expect too much from a first visit — sometimes the actual business subject may be overtaken by more mundane topics. A series of meetings with a large number of Japanese company representatives is common, as part of the "sizing up" process. Business negotiations may proceed slowly, as the Japanese side might prefer to avoid an agreement rather than being criticized later for making a mistake.

While many Japanese business executives speak some English, a skilled and well-briefed interpreter is essential to prevent communication problems. A good interpreter is worth the extra money and firms who choose to skimp on or forego this expense significantly reduce their odds of success. Though there are some U.S. firms that do business in Japan without a signed contract, written contracts between U.S. and Japanese firms is an accepted practice. Contracts satisfy tax, customs, and other legal requirements. Japanese companies prefer shorter and more general contracts as opposed to lengthy, detailed documents spelling out every right and obligation in detail. Personal contact and relationships are important in Japan, and a contract should be viewed as just one element of a broader effort to create a mutual understanding of obligations and expectations.

Electronic Commerce

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According to statistics published in August 2008 by the Ministry of Economy, Trade and Industry (METI), the market size of business-to-business (B2B) electronic commerce in Japan in 2007 was ¥162 trillion (\$1.8 trillion), a 9.3 percent increase from the previous year. The industry sectors that were the largest users of B2B electronic commerce were manufacturing (¥91 trillion or \$1 trillion), followed by wholesalers (¥47.3 trillion or \$526 billion), and finance (¥6.9 trillion or \$77 billion). The same report noted that the market size of the business-to-consumer (B2C) electronic commerce market in 2007 was ¥5.3 trillion (\$58.9 billion) and identified the largest users of B2C electronic commerce as IT / telecommunications (¥1.49 trillion or \$16.6 billion), general retail (¥1.22 trillion or \$13.6 billion), electric appliances (¥665 billion or \$7.4 billion), and travel and catering (¥651 billion or \$7.2 billion).

Japanese, especially younger consumers, are increasingly using state-of-the-art mobile telephones to access the Internet, check information, buy tickets and goods, listen to music, play games, and even watch television. In 2007, B2C market shopping related mobile e-commerce (not including content such as music and games) accounted for ¥723 billion (\$8 billion), according to a Ministry of Internal Affairs and Communication (MIC) report.

Consumer generated media (CGM) such as internet forums or blogs, is one of the major driving factors for Japanese consumers buying behavior. U.S. companies that wish to expand their Internet sales transactions can consider the use of mobile commerce and CGM.

References:

1. "Survey on the Current Status and market Size of Electronic Commerce for 2007", Ministry of Economy, Trade and Industry (METI) with cooperation from the Next Generation Electronic Commerce Promotion Council of Japan (ECOM), 8/18/2008: <http://www.meti.go.jp/press/20080818002/20080818002.html>
2. "Survey on the Current Status of Mobile Contents Industry", Ministry of Internal Affairs and Communication (MIC), 7/18/2008: http://www.soumu.go.jp/s-news/2008/080718_4.html
(Note: the above reports are only available in Japanese)

Trade Promotion and Advertising

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Unless a U.S. company is setting up operations directly in Japan, the company's agent or distributor in Japan will likely execute the advertising and marketing effort. It is quite expensive to advertise in Japan. Because of this, local firms often look for some type of cooperation from the overseas supplier. Willingness to support this effort sends a strong signal of commitment to the market.

Not all companies can afford to place advertisements in Japan's major national daily newspapers or commercials on Japanese television. Regional and local newspapers and television stations and daily sports newspapers are less expensive and might make sense for a product with strong potential in a specific region or demographic segment. A more affordable option for small- to medium-size or new-to-market U.S. companies might be advertising in some of Japan's 2250 weekly or monthly magazines. These publications often represent a cost-effective means to reach a specific target consumer — whether gourmet or gardener, cyclist or camper. For industrial and commercial products, Japan's many industrial daily, weekly or monthly newspapers and trade journals might offer the best advertising option.

Japan's broadcast and print media generally do not deal directly with advertisers but go through Japan's top five advertising agencies: Dentsu, Hakuhodo, Asatsu, Tokyu Agency International, and NTT Advertising. Generally, mood or image advertising achieves the best results. Hard-sell, comparative, or combative advertising used to be considered bad taste and counterproductive, but comparative advertising is becoming more mainstream in an increasingly competitive and tight economy.

Japan's railways, as the primary transportation option for commuters in major cities, carry more than 21 billion passengers every year. Therefore, transit advertising should not be overlooked. Transit advertisements can be found inside commuter rail cars, buses, and in stations. Advertisements inside trains and buses include hanging flyers, framed posters, stickers, and flat-panel video. As with other media and outlets, the major advertising agencies control space.

U.S. exporters can benefit from Japan's extensive trade event circuit: not only in Tokyo and Osaka, but also in the huge regional economies and industrial centers where many of Japan's international conferences, seminars, and trade shows take place. U.S. Department of Commerce-sponsored trade shows and trade missions, as well as events that U.S. states and industrial organizations sponsor, are an excellent means of gaining exposure in the Japanese market. For a listing of U.S. Department of Commerce supported events in Japan, please visit our website: <http://www.buyusa.gov/japan/en>

Pricing

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Tough economic times have made price an increasingly important consideration for Japanese consumers. Traditionally, many people made their buying decisions based on a product's attributes, quality, and brand name and they were willing to pay more for superior quality, reputation, or reliability. However, Japanese consumers are now more price conscious and notions such as bargains and value have become mainstream. If an imported product can be purchased more cheaply than a domestic product, consumers will be interested. This has proven to many Japanese that U.S. products can be affordable and offer quality that equals or even exceeds that of Japanese goods.

The strength of the yen, streamlining of distribution channels, and Japanese economic reforms have recently helped open doors for U.S. products by improving their price competitiveness. However, landed cost is only one part of a total pricing scheme and should not be the only consideration for U.S. firms interested in exporting to Japan. Distribution mark-ups often cause imports to price at levels far higher than comparable domestic products. For instance, shipping costs between the port of Osaka and Tokyo have been shown to be three times higher than shipping costs from the U.S. West Coast to Osaka. A good example is imported U.S. apparel products, where street prices often are three to four times FOB.

Japanese manufacturers traditionally set prices at each level of the distribution chain and enforce compliance using complicated rebate systems. This price maintenance has come under pressure from consumers who are demanding lower prices and from manufacturers who themselves find the rebate system burdensome. As distribution practices have undergone reform, costs have been coming down and distributors have gained additional flexibility in selecting and purchasing items.

The pricing structure of imported goods varies according to the types of distribution channels and services that importers or wholesalers provide (e.g., inventory, advertisement costs, packaging costs, financing, acceptance of unsold/returned goods, etc). It is a multi-layered system with established lines of product flow. In recent years, more and more middlemen have either been eliminated or forced to cut prices. It is predicted that the economic crisis that began in 2008 will put profound stress on the most traditional and inefficient links in Japan's distribution system, leading to large-scale consolidation.

As Japanese consumers have become more price-sensitive, markups along the various distribution stages have tended to become smaller. There are now some retailers who import products directly in order to offer lower retail prices. But U.S. suppliers should understand that retailers usually import smaller quantities, and other importers and wholesalers usually are uninterested in representing products that retailers import directly.

Finally, U.S. exporters should also consider yen/dollar fluctuations in their product pricing and sales strategies. Through late 2008 and early 2009, the yen has risen significantly against the dollar, boosting the price competitiveness of U.S. goods.

Sales Service/Customer Support

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High-quality, highly-responsive product service and customer support throughout the sales cycle are crucially important in Japan. This begins with establishing a close working relationship with, and long-term commitment to, a U.S. exporter's potential Japanese partners. Every effort should be made to answer technical questions in detail, to ensure delivery dates are met, and that other issues regarding shipments are absolutely clear. Problems most often arise from misunderstandings, lack of communication, language difficulties, and differing business practices.

The arrival times and condition of shipments are critical. Shipments should arrive on time, they should be well packed, and they must not be damaged upon arrival. Customs documentation should be complete and accurate; if it is not, the entry of the merchandise could be delayed or, in certain cases, the merchandise might be returned to the sender. Japanese buyers are highly concerned with the quality of packing and have used poor packaging as an explanation for market entry problems. Missed deadlines and goods damaged through poor shipping practices are interpreted as a "message" from the supplier and will lead to lost business. Many U.S. companies that have succeeded in Japan have established a local presence to handle sales and to provide customer support and service. In some cases, local agents or distributors can provide this support.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property rights (IPR) in Japan. First, it is important to have an overall strategy to protect intellectual property (IP). Second, IP is protected differently in Japan than in the United States. Third, rights must be registered and enforced *in Japan*, under local laws. Companies are encouraged to seek advice from local attorneys or IP consultants. The U.S. Commercial Service will provide a list of local IP lawyers upon request.

It is vital that companies understand that IP is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Japan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government (USG) is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR. Moreover, in many countries, rights holders who delay enforcing their rights may find that their rights have

been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to *promptly secure and enforce their IPR*.

It is always advisable to conduct due diligence on prospective partners. A good partner is an important ally in protecting IP rights. U.S. companies may wish to consider ordering an International Company Profile (ICP) on prospective partners. For information on the ICP and other services available from the Commercial Service in Japan, please visit our website: <http://www.buyusa.gov/japan/en>. Projects and sales in Japan require constant attention. Work with legal counsel familiar with Japan's laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions, among others.

It is important that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both in Japan or U.S.-based. These include:

- The U.S. Chamber of Commerce
- The American Chamber of Commerce in Japan (ACCJ)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders.

- For information about patent, trademark, or copyright issues—including enforcement issues in the U.S. and other countries—call the STOP! Hotline: 1-866-999-HALT or register at <http://www.StopFakes.gov>. This website also has market-specific IP Toolkits.
- For information about registering trademarks and patents (both in the United States as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199 or visit: <http://www.uspto.gov>.
- For information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-5959 or visit: <http://www.copyright.gov>.
- For information on blocking imports of IPR-infringing products in the United States, visit the U.S. Customs & Border Protection website: http://cbp.gov/xp/cgov/trade/priority_trade/ipr.
- A directory of international intellectual property offices can be found on the World Intellectual Property Organization website: <http://www.wipo.int/directory/en/urls.jsp>.

IPR Climate in Japan

- See [Protection of Intellectual Property Rights](#) under Chapter 6: [Investment Climate](#).

Due Diligence

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A U.S. company resident in Japan is not legally required to use a Japanese attorney for filings, registrations, contracts or other legal documents, which can be prepared by in-house staff, but retaining a competent Japanese attorney (*bengoshi*), patent practitioner (*benrishi*), or other legal professional is a practical necessity. A U.S. company not resident in Japan should also retain competent Japanese counsel. Projects and sales in Japan require constant attention. Work with legal counsel familiar with Japan laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions, among others.

The current economic and financial climate has increased pressures on Japanese industry, which continues to be shaken by a record number of bankruptcies. Importers, wholesalers and distributors may find it more difficult to obtain trade financing in the present environment. Banks in Japan have become less inclined to provide credit to small- and medium-sized enterprises of all types. Larger companies, especially those with excessive debt, may also experience problems obtaining financing.

The U.S. Embassy in Tokyo continues to encounter trade dispute cases of all kinds. It has become more common for small- and medium-sized Japanese trading companies to run into payment problems. For information about structuring payment options, see [How Do I Get Paid](#) under Chapter 7: [Trade and Project Financing](#).

As a result of these concerns, U.S. companies are well advised to perform due diligence procedures and check the *bona fides* of their Japanese agents, distributors and/or customers. To address this need, the U.S. Commercial Service in Japan provides the International Company Profile service. For information on the ICP and other services available from the Commercial Service in Japan, please visit our website: <http://www.buyusa.gov/japan/en>.

Local Professional Services

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CS Japan's website features lists of business service providers in different fields who may be of assistance to U.S. exporters in Japan. Although these lists are not comprehensive, and inclusion does not in any sense constitute an endorsement or recommendation by the U.S. Commercial Service or by the U.S. Government, they are a useful starting point for firms that need professional services in Japan. Please click on the following links and you will be taken straight to the list of business service providers that are of interest to you:

- [Accounting, Auditing and Tax Services](#)
- [Advertising](#)
- [Banking and Financial Services](#)
- [Business Administration Services](#)
- [Business Consulting](#)
- [Business Development](#)

- [Computer and Internet Services](#)
- [Distributors, Sales Agents and Importers](#)
- [Education and Training Services](#)
- [Electronic Components and Supplies](#)
- [Engineering Services](#)
- [Export Management](#)
- [Furniture and Interior Design](#)
- [Graphic Design](#)
- [Hotels and Meeting Facilities](#)
- [Human Resources](#)
- [Insurance Services](#)
- [Legal Services](#)
- [Market Research](#)
- [Marketing, Public Relations and Sales](#)
- [Office Furniture](#)
- [Patent and Trademark Law Services](#)
- [Printing and Publishing Services](#)
- [Product Standards, Testing, and Certification](#)
- [Real Estate Services](#)
- [Relocation services](#)
- [Restaurants and Catering](#)
- [Security and Personal Safety](#)
- [Telecommunications](#)
- [Trade Show and Exhibition Services](#)
- [Translation and Interpretation](#)
- [Transportation, Freight Forwarder and Storage Services](#)
- [Travel Facilitation](#)
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- [Other Business Services](#)

or visit our web site directly at <http://www.buyusa.gov/japan/en/bsp.html>

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Information on investing in Japan, establishing an office, and other programs for foreign businesses:

Japan External Trade Organization (JETRO)
http://www.jetro.go.jp/en/invest/setting_up

Information on doing business in Japan:

Venture Japan: Doing Business in Japan
 How to Succeed in the Japanese Market
<http://www.venturejapan.com/index.htm>

Information on business service providers in Japan:

U.S. Commercial Service, American Embassy, Tokyo
<http://www.buyusa.gov/japan/en/bsp.html>

Foreign Agricultural Service, American Embassy, Tokyo
<http://www.usdajapan.org>

U.S. Embassy, American Citizen Services
<http://tokyo.usembassy.gov/e/tacs-main.html>

Information on Japanese government procurement:

Japan External Trade Organization (JETRO)
<http://www.jetro.go.jp/en/matching/procurement>

Office for Government Procurement Challenge System (CHANS)
Cabinet Office
http://www5.cao.go.jp/access/english/chans_about_e.html

Japan's Submission to WTO Trade Policy Review Mechanism:
http://www.wto.org/english/tratop_e/tpr_e/tp311_e.htm

B-to- B e-commerce marketplaces:

Trade Tie-up Promotion Program by Japan External Trade Organization
<http://www3.jetro.go.jp/tppoas/index.html>

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Chapter 4: Leading Sectors for U.S. Export and Investment

- [Agricultural Sector](#)

Commercial Sectors

Despite the current economic situation, there are a number of sectors that offer significant opportunity for U.S. exports to Japan. The following are specific emerging sectors Commercial Service Japan has identified as offering particularly good export opportunities for U.S. companies:

Smart Phones

According to ROA Group, a Tokyo-based research company, the smart phone/mobile internet device (MID) market has started to emerge and unit sales in Japan are estimated to have been 900,000 units in 2008. Unit sales for smart phones and MID's are expected to rise to 18 million units by 2012 and will represent 40 percent of total mobile phone sales in Japan.

Wireless Broadband

Mobile WiMAX, the next generation of mobile broadband technology, will launch in Japan in February 2009. According to Wireless Broadband Planning, the WiMAX operator in Japan, the total number of Mobile WiMAX service subscribers in Japan will total 5.6 million by 2013 with total sales of \$1.4 billion.

Nanotechnology

In March 2006, the Japanese government designated Nanotechnology and Materials as one of four fields in science and technology that will receive prioritized allocation of national resources until 2010. According to Nomura Research Institute (NRI), the size of the nanotechnology-related product market will be \$55 billion by 2010 and increase to \$223 billion by 2015. Major market segments are electronics, energy/environment, medical applications, and measurement instruments.

Senior Market

Japanese society is aging quickly and senior citizens are active consumers of products and services. The population of those sixty years and older was 34.8 million in 2006 and represented 27.2 percent of the population. The number of Japanese sixty and over is expected to grow to 44.85 million, or 38.9 percent of the population, in 2030. In 2007, the average savings of households of people in the 60-69 year old age group was ¥24.5 million (or \$240,000) after debt, and the average income was ¥5.9 million (or \$56,800). According to the Japan External Trade Organization (JETRO), Japanese over the age of 60 tend to spend a great deal on medical care, home remodeling and travel. As the elderly population increases, they will create lucrative markets not only for medical or welfare products and services, but also for leisure products and activities that add to their quality of life.

Biotechnology

The Japanese biotechnology industry has made remarkable strides in recent years due to close cooperation between the Japanese public and private sectors and academia. In 2007, the total market size for the Japanese biotechnology industry was \$19.5 billion, a 10.8 percent increase over 2006. Currently medical biotechnology is the leading sub-sector. The size of the Japanese medical biotechnology market was \$5.6 billion, in 2007, about a 2.7 percent increase over 2006. Within medical biotechnology, therapeutic antibodies have the highest growth potential. Additionally, Japanese pharmaceutical companies are eagerly seeking new drug candidates and pipelines identified or developed by overseas biotech companies which they can further develop into new drugs.

In addition to the above emerging sectors, Commercial Service Japan has identified the following broad market sectors as offering significant opportunities for U.S. exporters.

- [Electronic Components](#)
- [Computer Software](#)
- [Safety and Security](#)
- [Telecommunications Equipment](#)
- [Education and Corporate Training](#)
- [Cosmetics/Toiletries](#)
- [Travel and Tourism](#)
- [Medical Equipment](#)
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Electronic Components

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Overview

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(millions of \$)	2006	2007	2008 (est.)
Total Market Size	28,579	24,040	23,078
Total Local Production	40,966	41,212	39,564
Total Exports	35,655	39,934	38,337
Total Imports	23,276	23,038	22,116
Imports from the U.S.	4,672	3,843	3,689

(Source: JEITA/ Japan Electronics and Information Technology Industries Association)

The Japanese electronic components market remains promising overall but the semiconductor and device markets are facing special challenges due to the global economic downturn. According to a survey by the Japan Electronics and Information Technology Industries Association (JEITA), Japan's overall electronic industry production dropped four percent from 2007 but the display device market posted double digit gains.

U.S. exporters should note that because offshore production by Japanese consumer electronics companies is growing rapidly, electronic component exports from Japan to those production centers (such as China) are outpacing local production in terms of growth. As a result, the total market size appears to be decreasing. Japanese consumer electronics manufacturers' share of world production, however, remains high and, therefore, Japan should still be considered an important market for U.S. suppliers. Even when Japanese manufacturers produce offshore, the key purchasing decisions for component and subassemblies are generally made in Japan.

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Display devices

Opportunities

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Event: CEATEC 2009
Date: October 6-10, 2009
Venue: Makuhari Messe
Web: <http://www.ceatec.com>

Event: FPD International 2009
Date: October 28 - 30, 2009
Venue: Pacifico Yokohama
Web: <http://expo.nikkeibp.co.jp/fpd/english>

Event: Semicon Japan 2009
Date: December 2-4, 2009
Venue: Makuhari Messe

Web: <http://www.semiconjapan.org>

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CS Japan Contact: Ms. Rika Saito

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The Japan Electronics and Information Technology Industries Association (JEITA)

<http://www.jeita.or.jp/english/index.htm>

Japan Electronic Product Importers Association (JEPIA)

<http://www.jepia.gr.jp/eindex.html>

Distributors Association of Foreign Semiconductors (DAFS)

http://www.dafs.or.jp/index_e.html

Computer Software

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Overview

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(millions of \$)	2006	2007	2008
Total Market Size	6,611	6,496	7,339
Total Local Production	3,751	3,672	4,182
Total Exports	275	272	309
Total Imports	3,135	3,096	3,526
Imports from the U.S.	2,821	2,786	3,174

(Sources: JEITA, JISA and unofficial CS estimates.)

The growth of Japan's software market is slowing due to stagnation in the overall economy and the market climate has become more challenging due to the complexity and fragmentation of consumer demands. According to IDC Japan, software vendors must increasingly adopt business strategies focusing on multi-functional products and product differentiation. On the positive side, however, increasing demand for notebook/netbook computer and mobile phone applications should offer future opportunities for software exporters in Japan.

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Mobile applications, security software

Opportunities

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Expansion of demand for low-end PCs with wireless LAN connections and mobile phone internet connections will be drivers for netbooks and mobile phone business applications.

Interest in security software is still high in Japan. New security protection tools, such as attack pattern analysis and beyond virus protection on client PCs will be key components in system infrastructure development.

There are three key elements to launching software products into the Japanese market: (1) localization - including Japanese translation, testing, and customization. Software suppliers are required to provide not only translations but also to consider Japanese business customs and culture to meet local client needs; (2) support capability - Japanese language support is mandatory; and (3) product quality — quality control is one of the most important considerations for Japanese users.

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CS Japan Contact: Ms. Rika Saito

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Computer Software Association of Japan (CSAJ)

<http://www.csaj.jp/english>

Japan Information Technology Services Association (JISA)

<http://www.jisa.or.jp/english/index.html>

Safety and Security

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Overview

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(millions of \$)	2006	2007	2008 (est.)
Total Market Size	1,054.5	1,106.7	1,331.4
Products and Systems	515.9	558.5	675.4
Security Services	538.6	548.2	656.0
Total Imports*	516	558	675
Imports from the U.S.	N/A	N/A	N/A

*(Source: Japan Security Systems Association, *figures for imports are unofficial CS Japan estimates and import data do not include security services. Data on U.S. imports is not available because there is not a separate break-out for this category.)*

According to an estimate by the Japan Security Systems Association, the overall size of Japan's security industry in 2008, including equipment and services, exceeded \$1.3 billion. Provision of security guard services continued to account for 50 percent of the total security market. In recent years, the Japanese security equipment market has created more business opportunities for newcomers and consequently competition has become more intense.

A recent survey conducted by Nikkei shows that 75 percent of the public had concerns about security. Even though the number of crimes has decreased since 2003, market demand among the general public remains strong. The Japanese security equipment and service market is projected to grow by an average of 12 percent annually over the next few years.

While Japan has invested heavily in equipment for commercial aviation security over the last few years, the pace of these procurements is now slowing.

Best Prospects/Services

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U.S. homeland security and anti-terrorism segment products, including those for government procurements enjoy a favorable position in the Japanese market as U.S. technological leadership in such products is highly recognized. Drug/explosive detection equipment and systems, container screening systems, nuclear/biological/chemical preparedness equipment and medicines are particularly good export opportunities.

According to an industry source, the biometric market has enormous potential for both public and private sectors. The use of biometric identification systems and monitoring systems will remain in strong demand by financial institutions. Fingerprint verification as well as iris and face recognition biometric technologies will play an increasingly important role in the public sector as the Japanese government is expected to remain a prime adopter of these new identification methods. Good opportunities exist for small and medium sized companies offering innovative niche products in this field.

Opportunities

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Event: Security Show (Organized by Nikkei Inc.)
Date: March 4-7, 2009
Venue: Tokyo Big Sight
Web: <http://www.shopbiz.jp/en/ss>

Event: Risk Control in Tokyo (RISCON) - Safety and Security Trade Expo
Date: October 7-9, 2009
Venue: Tokyo Big Sight
Web: <http://www.kikikanri.biz/english/index.html>

Event: Special Equipment Exhibition & Conference for Anti-Terrorism (SEECAT)
Date: October 7-9, 2009
Venue: Tokyo Big Sight
Web: <http://www.seecat.biz/en/index.html>

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CS Japan Contact: Ms. Kazuko Tsurumachi kazuko.tsurumachi@mail.doc.gov

Cabinet Office Disaster Prevention <http://www.bousai.go.jp/index.html>
National Police Agency <http://www.npa.go.jp/english/index.htm>
Fire & Disaster Management Agency <http://www.fdma.go.jp/en/>
Japan Fire Equipment Inspection Institute <http://www.jfeii.or.jp/en/index.html>
Japan Security Systems Association <http://www.ssaj.or.jp/>

Telecommunications Equipment

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Overview

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<i>(millions of \$)</i>	2006	2007	2008(est.)
Total Market Size	34,415	33,194	28,121
Total Local Production	33,681	32,483	27,417
Total Exports	4,474	4,335	4,294
Total Imports	5,208	5,046	4,999
Imports from the U.S.	532	515	511

(Sources: Communications and Information Network Association of Japan (CIAJ); unofficial FCS estimates)

For 2008, the total market size for telecommunications equipment decreased from the previous year due to the growing maturity of the mobile phone market (the major part of the market). However, demand for digital transmission equipment, optical access equipment, and routers/LAN switches should increase steadily because of the development of Fiber-To-The-Home (FTTH) and Next Generation Network (NGN) technologies.

Increased demand for IP-network related equipment is anticipated since the telecommunications equipment industry is expected to transition from triple play networks (i.e. bundled voice/internet/TV services) to quadruple play networks (triple play plus mobile phone) over the next five years.

Best Prospects/Services

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Digital transmission equipment, routers/LAN switches

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Event: Interop Tokyo
Date: June 10-12, 2009
Venue: Makuhari Messe
Web: <http://www.interop.jp/english/index.html>

Event: CEATEC Japan
Date: October 6-10, 2009
Venue: Makuhari Messe
Web: <http://www.ceatec.com>

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CS Japan Contact: Ms. Rika Saito

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Communications and Information Network Association of Japan (CIAJ)
<http://www.ciaj.or.jp/e.htm>

Education and Corporate Training

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Higher Education Study Abroad

	2006/07	2007/08	2008/09
Total Market Value*	\$878,000,000	\$837,000,000	N/A
Int'l Students in US**	582,984	623,805	N/A
Japanese Students in US**	35,282	33,974	32,500***

*--*Estimated Japanese student expenditures*

**--*Number of students (Source: IIE OpenDoors)*

***--*Unofficial CS Japan estimate*

In 2007/2008, a total of 623,805 international students studied in institutions of higher learning in the United States. International students contribute approximately \$15.5 billion to the U.S. economy through their expenditure on tuition and living expenses, and Japanese students account for 5.5 percent or 33,974 of the total international students in the U.S. The number dropped by 3.7 percent from the previous year.

The number of college age individuals has been steadily decreasing in Japan since 1992 due to the declining birth rate. Still, Japan is the number four leading country of origin of international students in the United States, following India, China and South Korea. The U.S. has been and still is the most popular destination for Japanese students seeking degree programs. The ratio of Japanese students enrolled in graduate programs is increasing. The ratio of Japanese undergraduates to graduates was about 7:2 five years ago, but it is 6:2 in 2007/2008. This high percentage of undergraduates is in sharp contrast to Chinese and Indian students in the US, of which roughly 70 percent are enrolled in graduate programs. In addition to the 33,974 Japanese students noted above, tens of thousands of Japanese go to the United States for short-term language studies annually.

Corporate Training Market

The market for corporate training services (not including on-the-job training) is estimated to be worth about ¥300 billion (\$3.3 billion) by the Ministry of Health, Labor and Welfare. Employee education and training initiatives seem to be slowly shifting from corporate headquarters to local offices for employees on both regular and non-regular payrolls. Still, U.S. providers should be aware that local corporate training decisions may be made at the head office. Competition from low-cost domestic programs is strong, but there is a market for U.S. programs that have unique offerings, a strong track record, and have been localized for the Japanese market.

Japanese business culture in some respects is different from U.S. business culture, and the percentage of truly fluent English speakers is rather small. Thus, it is highly likely that some degree of localization, whether in presentation style, materials, and/or content, will be required. In addition, Japanese firms (especially larger corporations) may be hesitant to purchase products and services directly from overseas suppliers. U.S. companies may need to partner with local companies, such as consulting companies and placement firms, which often service the training or workforce needs of Japanese companies.

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Study Abroad: Interest in two-year colleges remains strong, especially for schools with lower TOEFL requirements. The interest of young people in overseas experiences is declining, but it is increasing among senior citizens. Foreign exchange rates are more influential in the decision to enter short-term programs than is the case with degree programs. In January 2009, the Japanese yen reached a 13-year record high. There are good opportunities for U.S. schools to attract these seniors, who have time and money, to short-term, adult-oriented programs.

Corporate Training: Training of middle management, mid-career employees, and young employees are the primary focus areas for Japanese companies. Long-term development, improvement of management capabilities, and the improvement of the capabilities of young employees are the main objectives for HR training programs. The United States leads in IT and computer certificate and test training programs in the Japanese market.

Opportunities

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Event: Study in the USA Catalog Fair
Date: May 16, 2009
Venue: Akasaka Sacas, Tokyo
Web: <http://www.buyusa.gov/japan/en/event.html>

Event: IIE Fairs in Japan
Date: October 2009, exact dates TBA
Web: <http://www.iiehongkong.org/index.asp>

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Cosmetics /Toiletries

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Overview

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(millions of \$)	2005	2006	2007
Total Market Size	14,410.5	13,543.7	13,503.8
Total Local Production	13,672.5	12,894.2	12,828.6
Total Exports	747.3	772.8	840.4
Total Imports	1,485.4	1,422.4	1,515.7
Imports from the U.S.	355.0	312.0	321.8

(Sources: Japan Cosmetics Industry Association, Cosmetics Importers Association of Japan)

The overall Japanese cosmetics market for 2007 grew in yen terms by 0.95 percent to ¥1,590 billion (\$13.5 billion). Japan's cosmetics imports increased in yen terms by 7.9 percent to ¥178.4 billion (\$1.5 billion). Imports accounted for 11.2 percent of the domestic market in 2007, compared to 10.5 percent a year earlier. France and the

United States remained the top suppliers; however, cosmetics import market share from the two countries decreased to 52.8 percent of total cosmetics imports in 2007 from 55.3 percent in 2006, 56.5 percent in 2005 and 69.0 percent in 2004. China ranked a distant third (8.0 percent in 2007 and 9.0 percent in 2006) after the United States (21.2 percent).

Of the imports by category, skincare products grew significantly in 2007 by 12.6 percent to ¥73.2 billion (\$621.1 million). Imports from the U.S., at ¥20.3 billion (\$172.6 million), were up 13.8 percent and were second only to France. Fragrances, such as perfumes and eau de cologne, were the second largest import category in 2007 at ¥29.1 billion (\$247.7 million), up 3.5 percent. The top three exporting countries were France (¥15.2 billion or \$129.4 million, down 5.7 percent), Italy (¥7.4 billion or \$62.6 million, up 17.1 percent), and the United States (¥3.3 billion or \$28.1 million, up 12.2 percent). Make-up product imports were down 0.5 percent to ¥28.0 billion (\$238.3 million) in 2007. France was the leading supplier (¥11.8 billion or \$100.7 million, down 6.9 percent) followed by the United States (¥4.6 billion or \$39.4 million, down 1.1 percent). China was a close third (¥4.1 billion or \$34.9 million, up 3.5 percent). Hair care products, such as shampoos and rinses, grew 18.2 percent in yen terms to ¥28.6 billion (\$243.6 million). The United States maintained its position as the top supplier in this category at ¥3.3 billion (\$28.3 million), but has been on the decline (down 17.3 percent). China has been rapidly catching up (¥2.5 billion or \$21.6 million, up 19.2 percent) and surpassed Germany (¥1.1 billion or \$9.4 million, down 17.6 percent) in 2007.

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Industry sources say that Japanese consumer interest in beauty and health continues to be high. Japanese consumers are traditionally more interested in skincare than make-up and fragrances. The skincare group accounts for the largest share, a striking contrast to western countries where make-up preparations have the largest share. Japanese cosmetics consumers are known to be highly brand- and quality-conscious.

Best prospects include:

- Skincare products, particularly anti-aging, skin lightening, and skin moisturizing formulations.
- Men's skincare and personal care products, such as cleansing foam, toning lotion, moisturizing emulsion, skin revitalizers, anti-shine refresher, deep cleansing scrub, hydrating lotion, eye soother, tanning lotion, fragrance, and deodorant products.
- Fragrances, especially new product launches with a light-feel scent.
- Make-up preparations, particularly mascaras with moisturizing, thickening, curling, or other special features.
- Natural and organic products

Opportunities

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Event: The 67th Tokyo International Gift Show
Date: February 3-6, 2009
Venue: Tokyo Big Sight
Web: <http://www.giftshow.co.jp/english/framepage.htm>

Event: The 41st Osaka International Gift Show
Date: March 11-13, 2009
Venue: My Dome Osaka
Web: <http://www.giftshow.co.jp/english/framepage.htm>

Event: Japan Drugstore Show 2009
Dates: March 13-15, 2009
Venue: Makuhari Messe
Web: <http://www.drugstoreshow2009.jp/english.html>

Event: Beautyworld Japan
Dates: May 18-20, 2009
Venue: Tokyo Big Sight
Web: <http://www.beautyworldjapan.com/en/>

Event: Diet and Beauty Fair 2009
Dates: September 1-3, 2009
Venue: Tokyo Big Sight
Web: <http://www.dietandbeauty.jp/en>

Event: The 68th Tokyo International Gift Show
Dates: September 8-11, 2009
Venue: Tokyo Big Sight
Web: <http://www.giftshow.co.jp/english/framepage.htm>

Event: Beautyworld Japan West
Dates: October 26-28, 2009
Venue: Intex Osaka
Web: <http://www.beautyworldjapan.com/en/west/>

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CS Japan Contacts: Mr. Chris Yoshiyuki Ono	chris.ono@mail.doc.gov
Japan Cosmetics Industry Association	http://www.jcia.org
Cosmetics Importers Association of Japan	http://www.ciaj.gr.jp
Japan Nailist Association	http://www.nail.or.jp
Personal Care Products Council	http://www.personalcarecouncil.org

Travel and Tourism

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Overview

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<i>(millions of \$)</i>	2006	2007	2008 (est.)
Total Market Size ⁽¹⁾	202,046	199,558	222,139 ⁽²⁾
Total Outbound Market	37,830	36,515	38,679 ⁽²⁾
U.S. Share of Outbound Market	14,586 ⁽³⁾	14,470 ⁽³⁾	13,312 ⁽³⁾

<i>(millions of people)</i>	2006	2007	2008 (est.)
Number of Outbound Travelers	17.5	17.3	16.0
Number of Outbound Travelers to the U.S.	3.7	3.5	3.2

(Sources: U.S. Department of Commerce, Office of Travel and Tourism Industries, GOJ Ministry of Justice, Tourism Industry Association of Japan, JTB News Release, and unofficial CS Japan estimates.)

Notes:

(1) Total market size includes spending on day/overnight trips, travel guidebooks, travel insurance, passport fees and photo costs.

(2) Dollar figures were converted from Japanese statistics calculated in Japanese Yen. The exchange rate for 2006 was ¥116.31=\$1; for 2007 was ¥117.76=\$1; and for 2008 was ¥103.39=\$1 (Source: U.S. Federal Reserve). Due to the strength of the yen in 2008, tourism receipts calculated in yen and converted into dollars appear to be increasing whereas in fact they are decreasing.

(3) U.S. Department of Commerce, Office of Travel and Tourism Industries statistics calculated in dollars.

Japan continues to be a major source of outbound travelers while the United States continues to be one of the most popular destinations for Japanese visitors, attracting 3.53 million visitors in 2007. In that year, over 70 percent of repeat Japanese travelers visited the U.S. mainland, 76.9 percent went to Hawaii and 55.8 percent visited Guam (including Saipan). Japanese spending in the United States remained healthy with travel and tourism receipts totaling around \$14.5 billion in 2007.

There are three peak holiday periods in Japan: Golden Week, Obon, and the year end/New Year. Golden Week, generally a popular time to travel abroad, occurs at the end of April and in early May, during which the four Japanese public holidays can be extended into a five to nine day vacation. The summer Obon holiday occurs around August 15. Since the longest school holiday of the year also occurs at this time, August is the peak month for all Japanese travel. Many Japanese companies and organizations close during the last week in December until just after the new year for the year end/New Year holiday, making it a preferred time to spend abroad. In addition to these annual travel periods, in 2009, there will be one additional long holiday period. September 21-23 will be public holidays in Japan which can be extended into another five to nine day vacation. All of these holidays present excellent opportunities for travel to the United States.

Further, the Japanese government is taking steps to revitalize both inbound and outbound tourism. As part of this effort, a new Tourism Agency of Japan was established October 2008. Major goals of the new agency include increasing Japanese

outbound tourists to 20 million and inbound to 10 million visitors by 2010. North America and Hawaii have been selected as two of five priority focus outbound destinations with the others being Australia, Europe and Asia. With this concerted effort by the Japanese government and the travel industry, along with the depreciation of the U.S. dollar and the decrease in the fuel surcharge, now is an excellent time for the U.S. travel industry to actively promote their destinations and services in the Japanese market.

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While a majority of overseas Japanese travelers still enjoy nature and scenery, shopping, gourmet food, history and culture, some travelers have a more specific purpose in mind for their travel. Themed travel is becoming increasingly popular among Special Interest Tourists (SIT) and Free Independent Travelers (FIT). Themed travel that will appeal to Japanese visitors includes:

- Spectator sports such as baseball, basketball, golf and car racing
- Marathon participation
- Sports activities such as golfing, hiking, fishing, diving, skiing, driving and other outdoor sports
- Spa/relaxation/healing experiences
- Hobby tours such as quilting, photo taking, drawing, dancing, etc.
- Cruising

Opportunities

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Event: JATA World Travel Fair 2009 – Discover America Pavilion
Date: September 18-20, 2009
Venue: Tokyo Big Sight
Web: <http://jata-wtf.com/index.php?lang=en>

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CS Japan Contact: Ms. Tamami Honda tamami.honda@mail.doc.gov

Japan Visit USA Committee: <http://www.japan-usa.co.jp>

U.S. Travel Association Japan Office: <http://www.discoveramerica.com/jp>

Japan Association of Travel Agents (JATA): <http://www.jata-net.or.jp/english>

Medical Equipment

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Overview

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(millions of \$)	2006	2007	2008 (est.)
Total Market Size	19,420	18,099	18,644
Total Local Production	14,516	14,304	13,783
Total Exports	4,536	4,883	4,836
Total Imports	9,439	8,678	9,698
Imports from the U.S.	5,233	4,832	5,819

(Sources: Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others), Ministry of Health, Labor and Welfare (MHLW). Figures for 2008 are unofficial CS Japan estimates.)

The Japanese market for medical equipment is one of the few sectors where the United States has consistently enjoyed a sizeable trade surplus with Japan. In 2007, the Japanese market for medical devices and materials was just over \$18 billion. Total imports were estimated to be approximately 50 percent of the market. U.S. products represented around a 56 percent share of the import market and accounted for approximately 27 percent of Japan's total medical equipment market, valued at approximately \$5 billion.

While the market for U.S. medical equipment in Japan remains strong, U.S. firms have been facing considerable challenges in both pricing and regulatory matters. Due to Japan's medical devices regulatory approval processes, which are heavily regulated under the Pharmaceutical Affairs Law (PAL), innovative U.S. medical devices are frequently introduced elsewhere in the world years before they are available in Japan. However, the Japanese authorities have recognized that Japan suffers from a medical device "lag", which prevents timely patient access to innovative and life-saving products. In December 2008, Japan issued the "Action Programs for Speedy Review of Medical Devices" that included specific actions and goals to expedite product approval processes such as increasing the number of reviewers from 35 to 104, and completing standard reviews in fourteen months and priority reviews in ten months by April 2014, among other items. These measures are expected to improve and speed up Japan's regulatory approvals system.

With regard to pricing, Japan will continue to take measures to contain overall healthcare costs as its population ages, including using the Foreign Average Price (FAP) rule to narrow foreign price differentials. Japan tightened enforcement of the Foreign Average Pricing (FAP) rule at the National Health Insurance (NHI) price revision which went into effect in April 2008. As a result, Japan reduced reimbursement prices for new devices to 1.7 times the average price of devices in the United States, Britain, France, and Germany from the current 2.0. At the next revision, in April 2010, Japan is expected to further reduce the FAP ratio to 1.5.

Best Products/Services

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Given Japan's aging population, with an increasing number of patients with chronic, life-style diseases (such as diabetes), medical devices to treat age related diseases should show steady growth in demand. Devices that show promise include equipment to assist biofunctions such as pacemakers, cardiac valve prosthesis and orthopedic implants. Due to a lack of local manufacturers in these areas, such products will continue to be promising for U.S. firms in the foreseeable future. Other areas of projected strong demand include advanced diagnostic imaging equipment such as high-end MRI, CT/PET, PET, and digital radiography. Favorable changes in the reimbursement system and political climate may spur new growth in advanced diagnostic imaging technologies. New leading edge medical devices will also have good market prospects.

Opportunities

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Event: The International Modern Hospital Show 2009 (IMHS2009)

Date: July 15-17, 2009
Venue: Tokyo Big Sight
Web: <http://www.noma.or.jp/hs/index-e.html>

Event: HOSPEX Japan 2009
Date: November 1, 2009
Venue: Tokyo Big Sight
Web: <http://www.jma.or.jp/CONVENTION/en>

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CS Japan Contact: Mr. Hiroyuki Hanawa

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Ministry of Health, Labor and Welfare (MHLW)
Pharmaceutical and Medical Device Agency (PMDA)
Advanced Medical Technology Association (AdvaMed)
The American Chamber of Commerce in Japan (ACCJ),
Medical Devices and Diagnostics Subcommittee
Japan Federation of Medical Device Associations
(JFMDA)

<http://www.mhlw.go.jp>
<http://www.pmda.go.jp>
<http://www.advamed.org>
<http://www.accjmedtech.com>
<http://www.jfmda.gr.jp>

Pharmaceuticals

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Overview

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(millions of \$)	2006	2007	2008 (est.)
Total Market Size	67,666	68,075	73,339
Total Local Production	55,353	54,791	57,928
Total Exports	1,140	1,223	1,159
Total Imports	13,454	14,507	16,569
Imports from the U.S.	1,639	2,056	2,485

(Sources: *Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others)*, Ministry of Health, Labor and Welfare (MHLW). Figures for 2008 are unofficial CS Japan estimates.)

Japan continues to be the most important destination for U.S. pharmaceutical exports, representing the second largest market in the world after the United States. In 2007, the Japanese market for pharmaceuticals was approximately \$68 billion. The market share for foreign firms is estimated to be approximately 40 percent if one includes direct imports, local production by foreign firms and compounds licensed to Japanese manufacturers. U.S. pharmaceutical firms have achieved a market share of approximately 20 percent.

The Government of Japan (GOJ) has proposed various measures to minimize the drug lag and to enhance the competitiveness of the Japanese pharmaceutical industry. According to a survey, conducted by the Japan Pharmaceutical Manufacturers Association's (JPMA) Office of Pharmaceutical Industry Research, of the 121 new molecular entity (NME) drugs approved in Japan between 2002 and 2007, 90 NME drugs were released first in the United States and were not released in Japan until 49.5

months later (on average). In 2007, Japan set goals to reduce the period from drug development to approval by two and a half years (by 2011), improve the regulatory system by more than doubling the staff of drug reviewers (by 2010), promote drug clinical trials, and stimulate the development of vaccines. Japan has also shown strong interest in fostering simultaneous global drug development.

While these are positive developments, Japan's efforts to contain overall healthcare costs, combined with its aging society, will continue to create a challenging environment for U.S. firms. In the FY 2008 National Health Insurance (NHI) drug price revision, Japan expanded the range of drugs to be repriced (based on expansion of use in the Japanese market) in order to contain healthcare expenditures. In the lead-up to the next drug price revision in April 2010, Japan will be deliberating a new drug pricing system, proposed by industry, whereby the initial price of a new drug can be maintained during its patent or reexamination period, in conjunction with the promotion of generics. Increasing the use of generic drugs will continue to be a GOJ priority in an attempt to reign in healthcare costs.

Best Products/Services

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The top selling pharmaceuticals in Japan are for cardiovascular diseases and demand for the drugs is increasing due to Japan's aging society. Other drugs with increasing demand include diabetic drugs, anticancer drugs, etc. In the 2007 "New Vision for the Pharmaceutical Industry", MHLW cited anti-cancer drugs as having good growth prospects in the years ahead. Vaccines and generic drugs will also have good potential in the Japanese market.

Opportunities

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Event: CPhI Japan 2009
Date: April 21-23, 2009
Venue: Tokyo Big Sight
Web: <http://www.cphijapan.com>

Event: INTERPHEX JAPAN
Date: July 1-3, 2009
Venue: Tokyo Big Sight
Web: <http://www.interphex.jp>

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CS Japan Contact: Mr. Hiroyuki Hanawa Hiroyuki.Hanawa@mail.doc.gov

Ministry of Health, Labor and Welfare (MHLW) <http://www.mhlw.go.jp>
Pharmaceutical and Medical Device Agency (PMDA) <http://www.pmda.go.jp>
Pharmaceutical Research and Manufacturers of America <http://www.phrma-jp.org>
The Japan Pharmaceutical Manufacturers Association <http://www.jpma.or.jp>

New Energy Power Generation

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Photovoltaic Power Generation

(kilowatts)	2006	2007	2020(target)
Total Market Size	268,175	209,856	App. 2,000,000
Total Local Production	870,062	910,930	N/A
Total Exports	603,463	701,694	N/A
Total Imports	1,576	620	N/A
Imports from the U.S.	N/A	N/A	N/A

(Sources: Figures for 2006 and 2007 - the Japanese Photovoltaic Power Energy Association; target for the year 2020 is from the "Action Plan for forming Low-Carbon Society by the Global Warming Prevention Headquarters of the Japan Cabinet office, announced in July 2008. Data on U.S. imports is not available.)

Renewable energy technologies (or to use the Japanese term "New Energy Power Generation") such as photovoltaic solar panels, wind turbines, and biomass/biofuels (including bio-ethanol), are promising sectors in the Japanese market now. Other new technologies in this field include geothermal power generation, micro-hydroelectric power generation, ocean thermal energy conversion, power generation by waves, fuel cells, engines using hydrogen, and heat pumps.

When the New Energy Power Generation Promotion Law was established in 1999, it was intended to increase Japan's energy self-sufficiency ratio, which remains at 20 percent in 2009. The Government of Japan has added two more objectives; one is to cope with the need to reduce carbon dioxide emissions under the Kyoto Protocol, and the other is to use these product categories in a new industry development/promotion policy to address the on-going economic crisis. This approach is very similar to the "Green New Deal" concept in the United States. This year, the Government of Japan is expected to start implementing large-scale initiatives to promote a shift of the industry and Japanese society toward these energy sectors.

Even though concrete programs have not been announced yet, the Government of Japan may utilize all possible measures to promote these product areas. Such measures may include research programs for developing technology in these areas, mandatory requirements to use renewable energy, tax incentives, subsidy programs for system procurement, and award/certification programs for new technology development and installation. Even though many of these measures are still in the planning stage, the impact when implemented is expected to be enormous.

Except for target figures set by the Japanese Government there is no clear sign of market expansion. For example, the Japanese Government has set the ambitious goal of increasing by 20 times the number of installed photovoltaic solar power generation systems by the year 2020. CS Japan expects the Government of Japan to set ambitious targets for other new energy products and then implement measures to achieve such targets.

Best Products/Services

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Best products include products, parts and services related to photovoltaic solar power, biomass, hydroelectric, and wind power. The major emphasis in Japan continues to be on solar and fuel cell technology. Due to Japan's geography and population density, there is a limited market for wind power.

Opportunities

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Event: Renewable Energy 2009 Tokyo Fair
Date: June 24-26, 2009
Venue: Makuhari Messe
Web: <http://www.renewableenergy.jp/english/index.html>

Resources

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CS Japan Contacts: Mr. Koji Sudo koji.sudo@mail.doc.gov
Mr. Takahiko Suzuki takahiko.suzuki@mail.doc.gov

Useful Websites:

Ministry of Economy, Trade and Industry (METI)

<http://www.meti.go.jp/english/index.html>

METI is the one of the key Japanese ministries for policy making and facilitation of new energy power generation programs. The Agency for National Resources and Energy (ANRE), under METI, is directly involved in many new energy power generation programs.

<http://www.enecho.meti.go.jp/english/index.htm>

Ministry of Environment (MOE)

<http://www.env.go.jp/en>

MOE coordinates Japanese central government policy on the environmental aspects of new power generation.

New Energy and Industrial Technology Development Organization (NEDO)

<http://www.nedo.go.jp/english/index.html>

NEDO is the leading institution under METI for R & D for technologies of new energy power generation. The website contains a comprehensive database of regulations, research reports on technology developments, field tests, and market size.

New Energy Foundation (NEF)

<http://www.nef.or.jp>

NEF used to be the point of entry for the Government subsidiary program for individual household installation of photovoltaic power generation systems. It has a database of all public and private organizations which are involved in R & D, and regulations/promotion/businesses for biomass technology, including bioethanol, biodiesel, and biogas.

Japanese Council for Renewable Energy (JCIRE)

<http://www.renewableenergy.jp/council/english/index.html>

An ad-hoc federation of major Japanese institutions, academic organizations, and private firms concerned with renewable energy, mainly organizing trade shows and conferences.

The Energy Conservation Center of Japan

http://www.eccj.or.jp/index_e.html

The Energy Conservation Center of Japan is the key private organization under METI to promote energy conservation with many educational, certification, and award programs.

Japan Photovoltaic Energy Association

<http://www.jpea.gr.jp/index.html>

A private association of Japanese photovoltaic power generation system manufacturers. As of January, 2009, the English website is not yet posted.

Japanese Wind Power Association

<http://jpa.jp>

A private association of Japanese firms of wind power products and related services. No English website is available.

Japan Bioindustry Association

<http://www.jba.or.jp/english/index.html>

A private organization of Japanese firms involving in biomass related technologies.

Fuel Cell Development Center

<http://www.fcdic.com>

Fuel Cell Development Information Center is the key organization on all technology developments related to fuel cell systems.

Aerospace

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Overview

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(millions of \$)	2004	2005	2006	2007
Total Market Size	13,463	13,414	15,252	13,833
Total Local Production	8,350	8,264	9,930	9,358
Total Exports	2,524	3,469	4,230	6,411
Total Imports	7,638	8,619	9,552	10,887
Imports from the U.S.	6,861	7,420	8,030	9,044

(Sources: Ministry of Finance, Ministry of Economy, Trade and Industry, and Society of Japanese Aerospace Companies)

Japan continues to offer a lucrative market for imported aircraft and aircraft parts, including aircraft engines. Long-term relationships — some spanning over fifty years — between U.S. aircraft and aircraft parts makers and Japanese manufacturers and trading firms have given the United States an overwhelming presence in Japan's market. Japan's aerospace industry is shifting its focus from defense demand to civil demand, which increased to 60 percent of the total market share in 2007. Japan's space industry is also hoping to achieve commercial success. Though Japan's economy is in recession, aerospace industry demand is projected to increase in the long run.

In the civil aircraft market, the delay of the Boeing 787 is impacting Japanese manufacturers such as Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI), and Fuji Heavy Industries (FHI), who will supply about 35 percent of the 787 content to Boeing. MHI continues to develop two versions of a Mitsubishi Regional Jet (MRJ): the MJ-70 (70 - 80 seats) and the MJ-90 (86 - 96 seats). MHI announced in October 2007 that it selected Pratt & Whitney to supply the Geared Turboprop engines, a next-generation model that will make the planes 20-30 percent more efficient and about 15 percent cheaper to operate compared to conventional regional jets. The MRJ will be the first commercially produced plane in the world to use the new engines.

In October 2007 MHI formally decided to begin offering its MRJ for sale to potential customers worldwide. It signed a deal with Boeing in September 2008 to receive assistance on aircraft development, sales and customer support for the MRJ. All Nippon Airways (ANA) placed orders for twenty-five aircraft in March 2008. The Japanese government reportedly placed orders for ten aircraft in October 2008. MHI intends to commercialize the aircraft by 2012.

In the defense sector, the Government of Japan intends to develop and field domestically-developed fighter jets with stealth technology, digital communication networks, and unmanned vehicle systems.

In December 2009, the Ministry of Defense is planning to revise the National Defense Program Outline in conjunction with the revision of the Mid-Term Defense Program. Strategic considerations that will drive requirements are: 1) defense strategies in response to the changes in the situation of neighboring countries such as China, North Korea and Russia, 2) expansion of international contributions including overseas deployment of Self-Defense Forces, and 3) utilization of space for defense purposes as outlined in the Law on the Use of Space enacted in August 2008. The next Mid-Term Defense Program is expected to continue many acquisition programs not fulfilled under the current Mid-Term Defense Program, including the XP-1 (formerly P-X patrol aircraft-X), C-X transport aircraft and unmanned airborne vehicles.

The government is seeking ways to commercialize the XP-1, C-X, and US-2 rescue amphibian, all originally developed for defense. The GX rocket, Information Gathering Satellites (IGS), Quasi Zenith Satellites (QZS) and other various observation satellites are other on-going projects.

The H-IIA launch vehicle business was privatized in 2007. It was announced in January 2009 that the Korea Aerospace Research Institute (KARI) placed an order with MHI to launch the Korea Multipurpose Satellite-3 (KOMPSAT-3). The launch is scheduled to take place by March 2012.

Best Prospects/Services

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Commercial aircraft and aircraft engines, business jets, helicopters, aircraft parts and supplies, avionics.

Opportunities

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Event: Aerospace Industry Exhibition Tokyo

Date: November 4-6, 2009
Venue: Tokyo Big Sight
URL: <http://www.tokyoaerospace.com/en/index.html>

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Society of Japanese Aerospace Companies (SJAC)

Web: http://www.sjac.or.jp/en_index.html

Japan Business Aviation Association (JBAA)

Web: http://www.jbaa.org/english/index_e.html

(millions of \$)	2006	2007	2008 (est.)
Total Market Size	2,210	1,806	1,716
Total Local Production	2,180	1,766	1,676
Total Exports	0	0	0
Total Imports	30	40	40
Imports from the U.S.	18	24	24

Note: Official information on total imports and imports from U.S. firms is not available.

Major Japanese companies engaged in the soil remediation business are members of the Geo-Environmental Protection Center (GEPC), the largest soil remediation-related industry association under the Ministry of Environment. Although we saw a decline in terms of the value of orders received in 2007, there was in fact a slight increase in terms of the number of orders received: 14,924 compared to 12,423 in 2006. As there were no special regulatory obstacles or scandals related to the soil remediation business in 2007, it is fair to assume that the scale or profitability of individual soil remediation projects decreased.

As a market indicator in 2008, the number of deliveries of Control Manifests of Contaminated Soil Disposal, a “truck-transport manifest” which the GEPC issues when transporting contaminated soil to treatment facilities has significantly dropped from approximately 200,000 in 2007 to 150,000 in 2008. This may be because of an increase in in-situ remediation.

CS Japan has estimated the total market size based on information from the GEPC. The basic techniques in carrying out the two main elements of soil remediation engineering services, PRD (planning, research and design) and RMCUS (remediation work to clean up the soil), most of which originated in the U.S., are well established in Japan. Unless there is a sharp upturn in commercial activities involving land-transfer transactions, new building projects, or moving a production site/office, the soil remediation market is fairly saturated. While large-scale public projects, and remaining contaminated areas have been identified by the Government of Japan, privately owned contaminated sites, usually smaller in scale, are almost never made public. Identifying commercial opportunities for remediation of small private sites is a daunting task, for foreign and domestic firms alike.

According to GEPC, the number of land sites which need remediation may be ten times as large as officially recognized “designated areas”. Japan also has many so-called “brown fields”, small scale properties which require remediation. Since the Soil Contamination Countermeasures Law went into effect in February 2003, Japanese companies have dealt with remediation projects with traditional and expensive methods of transporting the contaminated soil to another location, or covering the contaminated

land. As such a civil-engineering approach might not fundamentally solve the soil contamination problem, U.S. products/services which can provide in-situ solutions, such as on-site chemical treatment, will stand a better chance under a planned revision to the law.

Opportunities

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The Ministry of Environment is now working to revise the Soil Contamination Countermeasures Law. The revised plan is scheduled to be submitted to the Diet in Japan fiscal year 2009, and it is expected to take effect in 2010. The revision focuses on: 1) encouraging the voluntary research of land, 2) a more rational categorization of designated areas and demanding a clearer statement of necessary counter measures needed, and 3) promoting technical development and wider usage of on-site treatments. The revised law will enhance opportunities for U.S. firms with this expertise.

Resources

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Web: Geo-Environmental Protection Center <http://www.gepc.or.jp/english/eindex.html>

Agricultural Sectors

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The United States remained Japan's top supplier of farm products, with a 21 percent market share in 2007. However, China, Latin America, Australia and Thailand have grown as strong competitors for the United States. U.S. farm exports to Japan increased 15.8 percent in 2007 to \$11.6 billion, a 15 percent increase from 2007. The high international prices for coarse grains, soybeans, and wheat along with the reintroduction of U.S. beef into the Japanese market accounted for most of this increase. At 40 percent, the Japanese food self-sufficiency rate is the lowest of all industrialized countries, compared to the U.S. rate of 126 percent. The Japanese also spend a very high percentage of their income on food (almost 25 percent compared to 12 percent in the United States). In 2007, the value of Japan's consumer food and beverage market was \$556 billion. For complete agricultural statistics, please visit the web site of the U.S. Department of Agriculture's Foreign Agricultural Service at www.fas.usda.gov/ustrade.

Opportunities exist for a range of agricultural products, in particular, processed and consumer ready food products. For U.S. companies to tap into this dynamic market, they should be aware of several key factors affecting food purchase trends. These factors are a rapidly aging population, diversification of eating habits, emphasis on high quality, increasing demand for convenience, and food safety concerns. Exporters interested in the Japanese market should make note that three of the biggest annual food related trade shows in Japan and all of Asia are: Foodex Japan, International Food Ingredients & Additives Exhibition and Conference (IFIA) Japan, and Health Ingredients (HI) Japan.

Japan's population is aging faster than any other country in the world. According to Japan's National Institute of Population and Social Security Research, by 2010 23 percent of the population will be over 65 years of age. Coupled with the fact that Japanese life expectancy is the highest in the world, there is a strong demand for "healthy foods." Such concepts as "functional foods" are well understood, and many

products certified by the Ministry of Health, Labor and Welfare as FOSHU (Food for Specific Health Use) are commonly consumed. Food products that are seen to have some health benefit, for example lowering cholesterol or containing a high level of antioxidants, have an advantage in Japan.

Since the 1960s, the Japanese diet has become dramatically westernized. Rice and tofu-based products have been replaced by meat and dairy as the main source of protein. For example, per capita protein consumption of rice fell from 32 percent in 1960 to 12 percent in 2007 while per capita protein consumption of meat went from 5 percent in 1960 to 22 percent in 2007. Per capita protein consumption for dairy products also increased from 3 percent in 1960 to 10 percent in 2005.

In addition to the popularity of western food, food trends have recently become more complex. Various ethnic foods are also becoming popular and are often combined with Japanese cuisine creating "fusion" foods. Another aspect of diversification is the trend of "individual eating", or convenience foods. Because of the busy, fast paced lifestyle of modern Japanese, it has become less common for all family members to eat together. "Individualization" of eating makes convenience an essential factor. Microwave (or semi- prepared) food and Home Meal Replacement (HMR) cuisine has become an indispensable part of life and are sold in supermarkets, restaurants and convenience stores such as 7-Eleven and Lawson's that are now found all over Japanese cities.

Economic stagnation and declining income have made people more price-conscious than in the past, however quality continues to be the most crucial factor in food purchasing decisions. Food safety has also become an important consideration for most Japanese consumers, who are more sensitive to perceived risk than the average U.S. consumer.

The retail sector remains the focus of U.S. investment in Japan's food industry. Wal-Mart now owns 54 percent of Seiyu, which is the third largest Japanese supermarket in terms of food sales. U.S. investment in Japan's agricultural sector is limited to a few large-scale ventures in the livestock and grain sectors.

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Chapter 5: Trade Regulations and Standards

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- [Import Requirements and Documentation](#)
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- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

On average, the applied tariff rate in Japan is one of the lowest in the world. In addition, import duties on many agricultural items continue to decrease, and tariffs in many major sectors, such as autos and auto parts, software, computers, and industrial machinery are zero. However, certain products including leather goods, certain processed foods and some manufactured goods have relatively high tariff rates. While Japan's import tariffs are generally low overall, the nation's average agricultural import tariff (roughly 19 percent) is among the world's highest for industrialized countries. By comparison, the average agricultural import tariff is 9.7 percent in the United States and 16.3 percent in the European Union.

The Customs and Tariff Bureau of Japan's Ministry of Finance administers tariffs. As a member of the Harmonized System Convention, Japan shares the same trade classification system as the United States (limited to six-digit code). Japan's tariff schedule has four columns of applicable rates: general, WTO, preferential, and temporary. Goods from the United States are charged WTO rates unless a lesser "temporary" rate exists. Japan assesses tariff duties on the CIF value at *ad valorem* or specific rates, and in a few cases, charges a combination of both. Japan's preferential system of tariffs grants lower or duty-free rates to products imported from developing countries. Japan's harmonized tariff schedule is available through the website of Japan Customs (<http://www.customs.go.jp/english>) or through the APEC Tariff Database: <http://www.apectariff.org>.

A simplified tariff system for low-value imported freight valued at less than ¥100,000, such as small packages for personal imports, simplifies determination of tariff rates. This system also eliminates the extra time necessary to classify the product and its precise value, and thereby minimizes customs brokers' handling charges. Importers can choose either the normal rate or the simple tariff, which could be higher or lower depending on the product.

Japan Customs can provide advance rulings on tariff classification and duty rates. A summary of Japan's customs procedures, including its customs valuation system, import procedures, temporary admission procedures, refunds and duty drawback payments, as well as relevant customs forms can be found on the Japan Customs website noted above. (See also [Customs Contact Information](#).)

While tariffs are generally low, Japan does have non-tariff barriers that impede or delay the importation of foreign products into Japan. Although competition, U.S. and other foreign government pressure, as well as other factors have lessened the impact of these impediments, U.S. companies may still encounter non-tariff barriers such as the following:

- standards unique to Japan (formal, informal, *de facto*, or otherwise);
- a requirement in some sectors or projects for companies to demonstrate prior experience in Japan, effectively shutting out new entrants in the market;

- official regulations that favor domestically-produced products and discriminate against foreign products;
- licensing powers in the hands of industry associations with limited membership, strong market influence, and the ability to control information and operate without oversight;
- cross stock holding and interconnection of business interests among Japanese companies that disadvantage suppliers outside the traditional business group;
- cartels (both formal and informal) and,
- the cultural importance of personal relationships in Japan and the reluctance to break or modify business relationships.

The tools available to overcome these non-tariff barriers depend on the industry, the product or service's competitiveness, and the creativity and determination of the firm's management. The U.S. Department of Commerce's Trade Compliance Center (TCC) helps U.S. exporters and investors overcome foreign trade barriers and works to ensure that foreign countries comply with their trade agreement obligations to the United States. U.S. exporters experiencing non-tariff barriers or other unfair trade practices in foreign markets can report such problems to the TCC through their website at <http://tcc.export.gov>.

Import Requirements and Documentation

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Japanese customs regulations can be cumbersome, difficult to understand, and duplicative, but they are largely mechanical. Nearly all customs difficulties result from first time applications. Japanese customs officials are generally helpful when it comes to explaining procedures and regulations, and once these are understood and followed, difficulties are usually minimal. It may be necessary to employ an import agent or customs broker to help facilitate customs entry. See Chapter 3 for [Using an Agent or Distributor](#) for more information.

Certain items may require a Japanese import license. These include hazardous materials, animals, plants, perishables, and in some cases articles of high value. Import quota items also require an import license, usually valid for four months from the date of issuance. Other necessary documents for U.S. Exporters may include an Import Declaration Form (Customs Form C-5020) and a certificate of origin if the goods are entitled to favorable duty treatment determined by preferential or WTO rates. In practice, shipments from the United States are routinely assessed using WTO or "temporary" rates without a certificate of origin. Any additional documents necessary as proof of compliance with relevant Japanese laws, standards, and regulations at the time of import may also apply.

Correct packing, marking, and labeling are critical to smooth customs clearance in Japan. Straw packing materials are prohibited. Documents required for customs clearance in Japan include standard shipping documents such as a commercial invoice, packing list, and an original and signed bill of lading, or, if shipped by air, an air waybill.

Air shipments of values greater than ¥100,000 must also include a commercial invoice. The commercial invoice should be as descriptive as possible on each item in the shipment. The packing list should include the exact contents and measurement of each container, including the gross and net weights of each package. The Japanese Measurement Law requires that all weights and measures on packing list be reflected in Metric System values.

Japan's Ministry of Finance maintains a website at <http://www.customs.go.jp/english/> that describes import and customs clearance procedures, and provides contact information and other detailed information in English. (See also [Customs Contact Information](#).)

Japan prohibits the importation of certain items including narcotics, firearms, explosives, counterfeit currency, pornography, and products that violate intellectual property laws. For additional information see the section below on [Prohibited and Restricted Imports](#).

U.S. Export Controls

As an active member of the Wassenaar Arrangement as well as all international export control regimes, Japan has the benefit of the least restrictive treatment under U.S. export control law. In response to the threat from global terrorism, the Japanese government has implemented "catch-all" controls to prevent Japanese firms from exporting goods and technologies that could be related to the development of weapons of mass destruction. Japan has been conducting outreach activities in Asian countries to maintain strict export control system. At the same time, however, Japanese firms are engaged in business activities with countries against which the United States currently has embargoes. As such, U.S. exporters are encouraged to conduct thorough research and background checks pertaining to any potential sale of controlled or sensitive items, in particular for transactions that may involve possible transshipment or reexport through Japan.

For the latest in U.S. export and reexport control regulations, contact the Department of Commerce Bureau of Industry and Security (BIS) at <http://www.bis.doc.gov>.

For the latest in defense trade controls information, contact the Department of State Directorate of Defense Trade Controls at <http://www.pmddtc.state.gov>.

For current U.S. embargo information, contact the Department of Treasury Office of Foreign Assets Control at <http://www.treas.gov/offices/enforcement/ofac>.

Temporary Entry

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Japan is a member of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials under the ATA Carnet System. Use of a *carnet* allows goods such as commercial and exhibition samples, professional equipment, musical instruments, and television cameras to be carried or sent temporarily into a foreign country without paying duties or posting bonds. A *carnet* should be arranged in advance by contacting a local office of the United States Council for

International Business (<http://www.uscib.org>) or its New York office by phone (212-354-4480) or by e-mail (info@uscib.org).

Advertising materials, including brochures, films, and photographs, may enter Japan duty free. Articles intended for display - but not for sale - at trade fairs and similar events are also permitted to enter duty free but only when the fair or event is held at a bonded exhibition site. After the event, these bonded articles must be re-exported or stored at a bonded facility. A commercial invoice for these goods should be marked "no commercial value, customs purposes only" and "these goods are for exhibition and are to be returned after conclusion of the exhibition." It is also important to identify the trade show or exhibition site, including exhibition booth number (if known), on shipping documents.

Labeling and Marking Requirements

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For most products there is no requirement for country of origin labeling, though some categories such as beverages and foods do require such labeling. If labels indicating origin are later determined to be false or misleading, the labels must be removed or corrected. False or misleading labels which display the names of countries, regions or flags other than the country of origin, and/or names of manufacturers or designers outside the country of origin are not permissible.

Japanese law requires labels for products in four categories: textiles, electrical appliances and apparatus, plastic products and miscellaneous household and consumer goods. Because the relevant regulations apply specifically to individual products, it is important for U.S. exporters to work with a prospective agent or importer to ensure the exporter's product meets applicable requirements. Generally, most labeling laws are not required at the customs clearance stage, but at the point of sale. Consequently, it is most common for Japanese importers to affix a label before or after clearing customs.

Food and agricultural products are subject to a number of complex labeling regulations in Japan. The Ministry of Agriculture, Forestry and Fisheries (MAFF) has established mandatory quality labeling standards that all producers, distributors and other operators must follow. Japan's Ministry of Health, Labor and Welfare (MHLW) administers separate voluntary and mandatory standards such as nutritional labeling and food additive/allergen labeling for processed foods and beverages. Please refer to the Food and Agriculture Import Regulations and Standards (FAIRS) Country Report for more details on food labeling standards:

<http://www.fas.usda.gov/gainfiles/200808/146295490.pdf>.

A good reference for information on labeling requirements is JETRO's *Guide to Japanese Household Goods Quality Labeling Law* available at:

<http://www.jetro.go.jp/en/reports/regulations>.

Prohibited and Restricted Imports

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Japan strictly prohibits entry of narcotics and related utensils, firearms, firearm parts and ammunition, explosives and gunpowder, counterfeit goods or imitation coins or currency, obscene materials, or goods that violate intellectual property rights. Other restricted items include but are not limited to certain agricultural and meat products, endangered

species and products such as ivory, animal parts and fur where trade is banned by international treaty. For more information on prohibited goods, see Japan Customs: <http://www.customs.go.jp/english/summary/prohibit.htm>.

In addition, Japan imposes restrictions on the sale or use of certain products including those related to health such as medical products, pharmaceuticals, agricultural products and chemicals. For these products, Japanese Customs reviews and evaluates the product for import suitability before shipment to Japan. The use of certain chemicals and other additives in foods and cosmetics is severely regulated and follows a “positive list” approach.

Regarding importation of products for personal use, Japan restricts more than two months’ supply of medicines (drugs or quasi-drugs) or more than 24 units (of normal size) of similar cosmetic products. Please note that body (hand) soaps, shampoos, toothpastes, hair dye and other toiletries fall under the category of quasi-drugs or cosmetics.

Veterinary drugs are subject to import restrictions in accordance with Japan’s Pharmaceutical Affairs Law.

For more information on prohibited and restricted imports visit the FAQ section on the Japan Customs web site: <http://www.customs.go.jp/english>.

Customs Regulations and Contact Information

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Japan Customs: <http://www.customs.go.jp/english>

Japans Customs’ procedures: http://www.customs.go.jp/question_e.htm

Customs Counselors System in Japan, Tokyo Headquarters

Phone: +81/ 3/ 3529-0700

http://www.customs.go.jp/zeikan/seido/telephone_e.htm

Japan Tariff Association

Phone: +81/ 3/ 5614-8871; fax: +81/ 3/ 5614-8873

<http://www.kanzei.or.jp/english>

Standards

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Many domestic and imported products alike are subject to product testing and cannot be sold in Japan without certification of compliance with prescribed standards. Knowledge of, and adherence to, these standards and their testing procedures can be the key to making or breaking a sale.

Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory voluntary standards. Compliance with regulations and standards is also governed by a certification system in which inspection results determine whether or not approval (certification/quality mark) is granted. Approval is generally required before a product can be sold in the market or even displayed at a trade show; unapproved medical equipment may be displayed at a trade show if accompanied by a sign indicating that the product is not yet approved for sale. To affix a mandatory quality mark or a voluntary quality mark requires prior product type approval and possibly factory inspections for quality control assessment. Regulated products must bear the appropriate mandatory mark when shipped to Japan in order to clear Japanese Customs. Regulations may apply not only to the product itself, but also to packaging, marking or labeling requirements, testing, transportation and storage, and installation. Compliance with "voluntary" standards and obtaining "voluntary" marks of approval can greatly enhance a product's sales potential and help win Japanese consumer acceptance.

There are two ongoing trends in Japan regarding standards. One is a move toward reform of such standards, and the other is a move toward harmonizing them with prevailing international standards. While reform is underway, there are numerous laws containing Japan-specific mandatory standards and most have not been translated into English. Therefore, it is important that a Japanese agent or partner be fully aware of the wide variety of standards in effect that could impact the sale of the exported product. Major laws stipulating standards that apply to products in Japan include the following:

- Electrical Appliance and Material Control Law
- Consumer Product Safety Law
- Gas Utility Industry Law
- Food Sanitation Law
- Pharmaceutical Affairs Law
- Road Vehicles Law
- Building Standards Law

Product Liability Insurance

Japanese business entities are subject to various laws and product safety standards, which vary depending upon the industry or product segment. Japanese importers/distributors of foreign products, in general, cover product liability risk through the product liability clause in their own liability insurance. The covered items and exemptions may vary from underwriter to underwriter and among industry segments. Whether the U.S. exporter will be required to buy product liability insurance to cover worldwide or specific overseas markets for their exports will be subject to negotiation with the firm's Japanese business partner and the advice of legal counsel.

Standards Organizations

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The Japan Industrial Standards Committee (JISC) plays a central role in standards activities in Japan (<http://www.jisc.go.jp/eng>). Its mission consists of four elements: 1) establishment and maintenance of Japan Industrial Standards (JIS); 2) administration of accreditation and certification; 3) participation in international standards activities, and 4) development of measurement standards and technical infrastructure for standardization. JISC publishes plans each month for the preparation of new and revised JIS drafts on its website at <http://www.jisc.go.jp/eng/jis-act/drafts-preparation.html>.

Existing JIS standards are reviewed and revised every 5 years. Once a new or revised draft JIS standard has been prepared, JISC posts these draft standards for a sixty-day public comment period. The JISC website also provides information regarding how foreign entities may participate in the JIS drafting process. A list of newly published JIS standards can be found on the website of the Japan Standards Association: http://www.jsa.or.jp/default_english.asp.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus>

Conformity Assessment

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Please see the [Product Certification](#) section below.

Product Certification

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With the revision of the Industrial Standardization Law in October 2005, the Japanese Industrial Standards (JIS) was renewed and a new scheme was implemented in September 2008. Under the new JIS mark scheme, product certification bodies accredited by the Ministry of Economy, Trade and Industry (METI) conduct a series of tests to verify compliance of products with JIS and audit the quality management system of facilities at which the products are manufactured. Any products manufactured a factory that successfully passes such an audit will be authorized to affix the JIS mark. Additional information on this process can be found on the JISC website: <http://www.jisc.go.jp/eng/jis-mark>.

Accreditation

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The Japan Accreditation System for Product Certification Bodies of JIS Mark (JASC) is an accreditation program defined by the Japanese Industrial Standards (JIS) Law, and operated by the JASC office in METI. JASC accredits product certification bodies in the private sector and allows them to certify companies so that they may place the JIS Mark

on their products. A list of Japanese and foreign organizations accredited by JASC as "JIS mark" certification bodies is available on the JISC website at <http://www.jisc.go.jp/eng/jis-mark/acc-insp-body.html>. This list provides contact information as well as the JIS field of certification for these testing organizations.

The two major non-governmental accreditation bodies in Japan are the Incorporated Administrative Agency (IAJapan—within the quasi-governmental National Institute of Technology and Evaluation) and the Japan Accreditation Board for Conformity Assessment (JAB). IAJapan operates several accreditation programs including the Japan National Laboratory Accreditation System (JNLA) and the Japan Calibration Service System (JCSS). IAJapan's website (<http://www.nite.go.jp/asse/iajapan/en/index.html>) provides lists of laboratories accredited under its programs, and laboratories accredited by JAB can be found at <http://www.jab.or.jp/english/index.html>.

A limited number of testing laboratories in the United States not listed on the websites noted above have also been designated by various Japanese government agencies to test and approve U.S. products for compliance with Japanese mandatory certification systems and laws. Products not covered by these arrangements must be tested and approved by Japanese testing labs before these products can be sold in Japan.

Conformity assessment bodies recognized by Japan for electrical appliances can be viewed on the METI website:

<http://www.meti.go.jp/english/policy/denan/procedure/07.htm>.

For additional information on third-party conformity assessment for electrical products in Japan, visit: <http://www.meti.go.jp/english/policy/denan/procedure/index.htm>

Publication of Technical Regulations

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Each Japanese ministry posts draft regulations for public comment on their respective websites. These draft regulations can also be found in a consolidated list, available in Japanese on the e-Gov web portal (<http://search.e-gov.go.jp/servlet/Public>). The website was designed to help facilitate public participation in Japan's regulatory process by improving the public's ability to find, view, and comment on regulatory actions.

It should be noted that although U.S. entities may submit comments on draft regulations, the amount of time given for submissions varies widely and all comments must be submitted in Japanese. To assist U.S. entities that wish to participate in the Japanese regulatory process, Commercial Service staff at the U.S. Embassy in Tokyo prepares a weekly summary translation in English of public comment announcements by Japanese government agencies. For information on how to obtain this summary translation please contact the Commercial Section by email at: Tokyo.Office.Box@mail.doc.gov.

National Institute of Standards and Technology "Notify U.S. Service:" Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet: <http://www.nist.gov/notifyus>.

Finalized technical regulations and standards are published in Japan's national gazette known as the *Kanpō* (<http://kanpou.npb.go.jp>, Japanese only).

Labeling and Marking

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The "voluntary" Japan Industrial Standards (JIS) mark, administered by the Ministry of Economy, Trade and Industry (METI), applies to nearly 600 different industrial products and consists of over 8,500 standards. Adherence to JIS is also an important determinant for companies competing on bids in the Japanese government procurement process. Products that comply with these standards will be given preferential treatment in procurement decisions under Japan's Industrial Standardization Law. JIS covers industrial and mineral products with the exception of 1) medicines, 2) agricultural chemicals, 3) chemical fertilizers, 4) silk yarn, and 5) foodstuffs, agricultural and forest products designated under the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products.

The Japan Agricultural Standards (JAS) mark is another "voluntary" but widely used product quality labeling mark administered by the Ministry of Forestry, Agriculture and Fisheries (MAFF). JAS applies to beverages, processed foods, forest products, agricultural commodities, livestock products, oils and fats, products of the fishing industry, and processed goods made from agricultural, forestry, and fishing industry raw materials. In addition, specific JAS marks exist for various types of wood products including plywood, paneling, flooring boards, lumber, and timber. JAS certification can be extremely difficult for U.S. companies and must be approved by a Registered (Overseas) Certified Body. More information on the JAS labeling system can be found at the following MAFF website: http://www.maff.go.jp/soshiki/syokuhin/hinshitu/e_label.

As noted above, Japanese laws requiring product certification and labeling are numerous. A good reference for additional information on these requirements is JETRO's *Handbooks for Industrial and Consumer Product Import Regulations* available at: <http://www.jetro.go.jp/en/reports/regulations>.

For additional information see the section above on [Labeling and Marking Requirements](#).

Contacts

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Japan Industrial Standards Committee: <http://www.jisc.go.jp/eng/index.html>

Japan Standards Association: http://www.jsa.or.jp/default_english.asp

Japan Accreditation Board for Conformity Assessment:
<http://www.jab.or.jp/english/index.html>

Japan Conformity Assessment Bodies:
<http://www.meti.go.jp/english/policy/denan/procedure/07.htm>.

Japan National Institute of Technology and Evaluation; Incorporated Administrative Agency: <http://www.nite.go.jp/asse/iajapan/en/index.html>

Third-party Conformity Assessment for Electrical Products in Japan:
<http://www.meti.go.jp/english/policy/denan/procedure/index.htm>

The Building Center of Japan: <http://www.bcj.or.jp/en>

Japan External Trade Organization (JETRO):
<http://www.jetro.go.jp/en/reports/regulations>

Japan's National Gazette (*Kanpō*): <http://kanpou.npb.go.jp>

Japanese Draft Regulations and Public Comment: <http://search.e-gov.go.jp/servlet/Public>

For Japanese technical regulations notified to the WTO sign up for the U.S. National Institute of Standards and Technology “Notify US” service at: <http://www.nist.gov/notifyus>

Trade Agreements

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As of February 2009, Japan has entered into economic partnership agreements (EPAs) with 11 countries: Mexico, Chile, Switzerland, Singapore, Malaysia, Thailand, The Philippines, Brunei, Indonesia, Laos and Myanmar. An agreement with Vietnam has been signed but is not yet in effect. Additional information on Japan's trade agreements can be found on the Ministry of Foreign Affairs website at:
<http://www.mofa.go.jp/policy/economy/fta/index.html>.

For information on sector-specific agreements between the United States and Japan visit the Department of Commerce Market Access and Compliance Japan website:
<http://www.mac.doc.gov/japan/sector-specific/sector-specific.htm>.

Japan is a full member of the World Trade Organization (WTO). For more information on Japan and the WTO visit: http://www.wto.org/english/thewto_e/countries_e/japan_e.htm.

Web Resources

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Japanese import clearance and customs procedures:

Japanese Customs:

Japanese Ministry of Finance
<http://www.mof.go.jp/english/tariff/tariff.htm>

Customs Counselors System in Japan
http://www.customs.go.jp/zeikan/seido/telephone_e.htm

Japan Tariff Association
<http://www.kanzei.or.jp/english>

APEC Tariff Database
<http://www.apectariff.org>

U.S. export control procedures:

U.S. Department of Commerce
Bureau of Industry and Security (BIS)
<http://www.bis.doc.gov>

(for defense-related articles)
U.S. Department of State
Office of Defense Trade Controls
<http://www.pmddtc.state.gov>

(for current U.S. embargo information)
U.S. Department of the Treasury
Office of Foreign Assets Control
<http://www.treas.gov/offices/enforcement/ofac>

Obtaining a temporary-entry *carnet*:

United States Council for International Business
Local Offices — <http://www.uscib.org>
N.Y. Office — info@uscib.org
<http://www.atacarnet.com>

Standards (key organizations; see also “Standards Contacts” above):

Japan Industrial Standards Committee (JISC)
<http://www.jisc.go.jp/eng/index.html>

International Accreditation Japan (IAJapan)
<http://www.nite.go.jp/asse/iajapan/en/index.html>

Japan Accreditation Board for Conformity Assessment (JAB)
<http://www.jab.or.jp/english/index.html>

Japanese government regulations:

(for public comment updates)
U.S. Commercial Service
American Embassy Tokyo
<http://www.buyusa.gov/japan/en/mac.html>

(for finalized technical regulations and standards)
Japan National Gazette (*Kanpō*)
<http://kanpou.npb.go.jp> (Japanese only)

Labeling and marking requirements:

Japan External Trade Organization (JETRO)
<http://www.jetro.go.jp/en/market/regulations/index.html>

Chapter 6: Investment Climate

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Openness to Foreign Investment

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Japan is the world's second largest economy, the United States' fourth largest trading partner, and an important destination for U.S. foreign direct investment (FDI). The Government of Japan explicitly promotes inward FDI and has established formal programs to attract it. Since 2001, Japan's stock of FDI, as a percentage of GDP, grew from less than one percent to more than three percent at the end of 2008. Despite the worldwide financial market turmoil, as of December 2008 Japan continues to attract positive FDI inflows, albeit at a slower pace than in previous years. It is possible Japan could see a short-term net outflow of FDI in the first half of 2009, however, as a number of multinational firms, especially non-Japanese financial institutions and automobile manufacturers restructure overseas assets in response to changing global credit risks and domestic liquidity problems.

As of the third quarter of CY 2008, Japan's economy entered recession for the first time since 2002. Beginning November 2008, several major firms in Japan's key export sectors, such as automobiles and consumer electronics, facing rapidly decelerating international demand began to cut production and terminated employment contracts of more than 100,000 temporary contract workers. As of December 2008, domestic spending had begun to fall, but the situation could deteriorate further in the first half of 2009 if the global recession lasts longer than expected and domestic job losses continue to mount.

The Ministry of Economy Trade and Industry (METI) and the quasi-governmental Japan External Trade Organization (JETRO) are the lead agencies responsible for assisting foreign firms wishing to invest in Japan. Many prefectural and city governments also have active programs to attract foreign investors, but lack many of the financial tools U.S. states use to attract investment.

Risks associated with investment in many other countries, such as expropriation and nationalization, are not of concern in Japan. The Japanese Government does not impose export balancing requirements or other trade-related FDI measures on firms seeking to invest in Japan.

Foreign investors seeking a presence in the Japanese market or to acquire a Japanese firm through corporate takeover face a number of unique challenges, many of which relate more to business practices, rather than government regulations. The most notable are:

- A highly insular and consensual business culture that is resistant to hostile M&A and prefers to do business, especially M&A transactions, with familiar corporate partners;
- A lack of independent directors on most company boards;
- Cross-shareholding networks among listed corporations in which shares are held for non-economic reasons resulting in a minimal float of available common stock relative to total capital;
- Exclusive supplier networks and alliances between business groups that can restrict competition from foreign firms and domestic newcomers,
- Cultural and linguistic challenges; and
- Labor practices that inhibit labor mobility, suppress productivity, and negatively affect skill development.

The U.S. and Japanese Governments discuss all these issues in working groups under the Regulatory Reform and Competition Policy Initiative and the Investment Initiative, as part of the U.S.-Japan Economic Partnership for Growth. There has been progress in some areas. Japan's government recognizes that open and transparent corporate governance is critical to attract FDI and in 2008 convened two separate experts working groups to clarify rules governing the use of corporate takeover defenses and to examine the role of independent corporate directors in enhancing corporate governance.

Structural reforms, revisions to Japan's legal code, and pro-active Japanese government policies to promote FDI and corporate restructuring have led to a boom in merger and acquisition (M&A) activity in the country since 2001. The annual number of M&A transactions in Japan increased more than threefold over the past decade, from approximately 800 in 1998 to almost 2,700 in 2007, according to Recof, a Tokyo-based M&A consultancy. The majority of these mergers were domestic transactions, but transactions involving foreign counterparts also increased. The number of takeover bids (TOB) in Japan exceeded 100 for the first time in 2007. Although change is slow, many Japanese corporate leaders now appreciate the contribution M&A can make to increasing corporate value.

Despite the increase in FDI since the mid-1990s, Japan continues to have the lowest foreign direct investment as a proportion of GDP ratio of any major OECD member. On a yen basis, FDI stock in Japan as of September 2008 was ¥17.02 trillion, (3.3 percent of GDP), according to preliminary Ministry of Finance (MOF) statistics.

Meanwhile, Japan runs a significant imbalance between inward and outward FDI (see Table 1b). Japan's outward foreign direct investment rose from \$50.1 billion in 2006 to \$73.4 billion in 2007 (see Table 5). More recently, Japanese companies' large cash holdings combined with low global equity values and the strengthening of the yen helped increase

outbound FDI activity. In the first 10 months of 2008, according to Recof, the total value of M&A deals involving Japanese companies rose 5.2 percent to ¥10.3 trillion. At the same time, Japanese M&A directed at foreign companies rose more than 260 percent to ¥6.6 trillion.

Legal Reform Facilitates M&A Activity

In recent years, reforms in the financial, communications, and distribution sectors encouraged foreign investment in these industries. The 2005 Company Law, an amended bankruptcy law, and the 2007 Financial Instruments and Exchange Law helped increase the attractiveness of Japan as a destination for FDI.

The most significant legislative change was the substantial revision of Japan's Company Law. These changes significantly expanded the types of corporate structures available in Japan as well as the variety of M&A transactions available for corporate consolidation and restructuring. A foreign firm, for the first time, may now use its stock as consideration in a cross-border M&A transaction by means of a procedure known as a triangular merger, as long as the foreign acquirer has an existing Japanese subsidiary with which to merge the target company.

Unfortunately, the tax regulations that govern triangular mergers contain strict conditions regarding business viability and business relevance between the acquiring subsidiary and the target Japanese firm for the transaction to be granted tax deferral of capital gains. As a result, the procedure has not attracted significant new investment flows. As of December 2008, only one major foreign investor has used the triangular merger provisions of the Company Law to complete the purchase of a Japanese firm and, in that case, the foreign acquirer already had a significant existing Japanese operation into which it could merge its new Japanese acquisition. The U.S. government has repeatedly raised the issue of effective tax deferral for M&A transactions in the discussions of the Bilateral Investment Working Group. The Japanese Government itself acknowledges the issue and a government-appointed Expert Committee on FDI Promotion, in its May 2008 report to the Council on Economic and Fiscal Policy (CEFP), identified tax rules for triangular mergers as a continuing obstacle to inward M&A and something requiring further study and resolution.

The 2007 Financial Instruments and Exchange Law establishes a flexible regulatory system for financial markets and applies a uniform set of rules for similar financial instruments. At the same time, the law allows brokers and financial advisors to treat investors differently, depending on whether they are deemed "professional" investors (assumed to be capable of more sophisticated investment strategies and requiring less protection and disclosure) or "general", i.e., retail investors. Brokerage firms must provide the latter with detailed disclosure of risks related to different types of financial products at the time of offering.

Limited Sector-specific Investment Restrictions Remain

Japan has gradually eliminated most formal restrictions governing FDI. One important restriction remaining in law limits foreign ownership in Japan's former land-line monopoly telephone operator, Nippon Telegraph and Telephone (NTT), to 33 percent. Japan's Radio and Broadcasting Law also limits foreign investment in broadcasters to 20 percent, or 33 percent for broadcasters categorized as facility-supplying. Foreign ownership of Japanese companies invested in terrestrial broadcasters will be counted against these limits. These limits do not apply to communication satellite facility owners, program suppliers, or cable

television operators. The government is also considering a December 2008 recommendation of an Experts Advisory Council on Airport Infrastructure to limit an investor -- whether foreign or domestic -- to a maximum 20 percent ownership stake when the Japanese Government sells off its shares in the privatized Narita International Airport Corporation. Whether that limit will also apply retroactively to Tokyo's already-privatized Haneda Airport Authority is under discussion.

The Foreign Exchange and Foreign Trade Control Law governs investment in sectors deemed to have national sovereignty or national security implications. In most cases, foreign investors need only report transactions to the Bank of Japan within 15 days of acquiring more than 10 percent of the shares in a publicly listed company or any shares of a closely held company. However, if a foreign investor wants to acquire over 10 percent of the shares of a listed company in certain designated sectors, it must provide prior notification (and thus obtain specific approval) of the intended transaction to the Ministry of Finance and the ministry that regulates the specific industry. Designated sectors include agriculture, aerospace, forestry, petroleum, electric/gas/water utilities, telecommunications, and leather manufacturing. In practice, the Japanese Government has rejected only one proposed investment when in May 2008 it blocked a foreign activist fund from increasing its stake in electricity wholesaler J-Power Corporation. The Japanese Government stated it took this action on the grounds that the proposed investment could constitute a "risk to public order" and the smooth operation of Japan's electric power sector. The Japanese Government said there were concerns the proposed investor might cancel or otherwise alter J-Power's planned construction of a nuclear power plant in northern Japan. The case sparked such extensive press controversy that the Experts Committee on Investment Promotion in its May 2008 report to the CEFP recommended the government clarify which sectors are covered by the Foreign Trade Control Law and the possible reasons it may use to block a proposed investment. The government commenced an inter-ministerial review of the law in December 2008.

Several sections of the Japanese Anti-Monopoly Law (AML) are relevant to FDI. Chapter Four of the AML includes extensive anti-trust provisions pertaining to international contract notification (section 6), shareholdings (sections 10 and 14), interlocking corporate directorates (section 13), mergers (section 15), and acquisitions (section 16). The stated purpose of these provisions is to restrict shareholding, management, joint venture, and M&A activities that may constitute unreasonable restraints on competition or involve unfair trade practices. The Japanese Government has emphasized these provisions are not intended to discriminate against foreign companies or discourage FDI.

Limitations on Facility Development and Availability of Investment Real Estate

Aiming to increase the liquidity of Japanese real estate markets, the government in recent years has progressively lowered capital gains, registration, and license taxes on real estate. It also reduced inheritance and gift taxes to promote intergenerational transfer of land and other real assets. More changes in tax policy and accounting standards could increase real estate liquidity, but the market remains hampered by a shortage of legal and accounting professionals and by a relative lack of information on prices and income flows.

Japan continues restricting development of retail and commercial facilities in some areas to prevent excessive concentration of development in the environs of Tokyo, Osaka, and Nagoya, and to preserve agricultural land. Conversely, many prefectural governments outside the largest urban areas make available property for development in public industrial

parks. Japan's zoning laws give local officials and residents considerable discretion to screen almost all aspects of a proposed building. In some areas, these factors have hindered real estate development projects and led to construction delays and higher building costs, in particular, in cases where proposed new retail development would affect existing businesses.

Japanese law permits marketing of real estate investment trusts (REITs) and mutual funds that invest in property rights. As of December 2008, there are 40 REITs listed on the Tokyo Stock Exchange (TSE), two fewer than a year earlier.

The 2008 global economic turmoil and resulting credit contraction, however, hit Japan's real estate sector particularly hard. A number of developers have gone bankrupt and others have been forced into emergency restructuring as regular short-term financing has evaporated. As of December 2008, the sector continues to experience extended and painful contraction.

Corporate Tax Treatment

Local branches of foreign firms are generally taxed only on corporate income derived within Japan, whereas domestic Japanese corporations are taxed on their worldwide income. Calculations of taxable income and allowable deductions, and payments of the consumption tax (sales tax) for foreign investors are otherwise the same as those for domestic companies. Corporate tax rules classify corporations as either foreign or domestic depending on the location of their "registered office," which may be the same as -- or a proxy for -- the place of incorporation. As part of its annual tax amendments, the Japanese government in December 2008 began consideration of a partial tax holiday for Japanese firms' foreign operations to encourage firms to repatriate earnings to Japan.

The current U.S.-Japan bilateral tax treaty allows Japan to tax the business profits of a U.S. resident only to the extent those profits are attributable to a "permanent establishment" in Japan. It also provides measures to mitigate double taxation. This "permanent establishment" provision combined with Japan's high 40 percent corporate tax rate serves to encourage foreign and investment funds to keep their trading and investment operations off-shore.

Cross-border dividends on listed stock are not subject to source country withholding tax if the parent company owns 50 percent or more of the foreign subsidiary. Interest on financial transactions payable to a nonresident and royalties paid to a foreign licensor are no longer subject to source country withholding tax. A special tax measure allows designated inward investors to carry over certain losses for tax purposes for ten years rather than for the normal five years.

The option of consolidated taxation is available to corporations. The purpose of these rules is to facilitate investment and corporate restructuring, because losses usually expected from a new venture or recently acquired subsidiary can be charged against the profits of the parent firm or holding company.

Investment Incentives

Since 2001, the Japanese Government has sought to revitalize the country's economy, in part, by increasing inward FDI. In 2003, the Japan Investment Council adopted a five-point

Program for the Promotion of Foreign Direct Investment into Japan that called on the government to: (1) make administrative processes clearer, simpler, and faster; (2) improve the business environment by facilitating cross-border M&A; (3) create a favorable work and living environment for foreign residents in Japan; (4) improve local efforts to attract FDI through use of Special Zones for Structural Reform; and (5) disseminate information on investment opportunities both domestically and internationally. In June 2006, the government accepted the JIC report recommended to establish a national goal of increasing Japan's stock of FDI to the equivalent of five percent of the country's GDP by FY2010 (March 2011.)

In the wake of a number of controversial foreign investment cases, the Cabinet Office in January 2008, appointed an ad-hoc Experts Committee on FDI Promotion to examine and make recommendations on ways to further improve Japan's climate for foreign investment. The committee's May 2008 report included five recommendations, among which were that the government (1) review and improve Japan's rules for M&A; (2) undertake a comprehensive examination of national security-related FDI regulations; (3) establish priority sectors for FDI that will have a positive impact on the Japanese economy and quality of life; (4) reduce business costs, including by lowering corporate tax rates, and improve regulatory transparency; and (5) develop a strategic plan to spur regional economies' revitalization through the use and attraction of foreign capital. The government incorporated the broad outline of the committee's recommendations into its 2008 Basic Fiscal and Economic Policy document, which the Cabinet adopted in June 2008. The Cabinet office is now preparing a new national investment strategy that should be ready for submission to the Cabinet in early 2009.

JETRO operates six Invest Japan Business Support Centers in major urban areas to provide investment-related information and "one-stop" support services to foreign companies interested in investing in Japan. (More detailed information is available at <http://www.jetro.go.jp/en/invest>.) Most national level ministries also have information desks to help guide potential investors in navigating Japanese Government administrative procedures.

Many city or regional governments work to attract foreign capital through outreach to prospective foreign investors, business start-up support services, and limited financial incentives. JETRO supports local government investment promotion efforts. Detailed information on local and regional FDI promotion programs is available in English on the JETRO website.

Conversion and Transfer Policies

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Generally, all foreign exchange transactions to and from Japan -- including transfers of profits and dividends, interest, royalties and fees, repatriation of capital, and repayment of principal -- are freely permitted. Japan maintains an ex-post facto notification system for foreign exchange transactions that specifically prohibits specified transactions, including certain foreign direct investments (e.g., from countries under international sanctions) or others which are listed in the appendix of the Foreign Exchange and Foreign Trade Control Law.

Japan is an active partner in the struggle against terrorist financing. In coordination with other OECD members, Japan has strengthened due-diligence requirements for financial institutions. Japan has had a "Know Your Customer" law since 2002. Customers wishing to make cash

transfers exceeding ¥100,000 (\$1,100) must do so through bank clerks, not ATMs, and must present photo identification.

Expropriation and Compensation

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In the post-war period, the Japanese Government has not expropriated or nationalized any enterprises, with the exception of the 1998 nationalization of two large Japanese capital-deficient banks and the 2002 nationalization of two failed Japanese regional banks as part of the government's efforts to clean up the banking system after its near collapse in 1998. Expropriation or nationalization of foreign investments is extremely unlikely.

Dispute Settlement

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There have been no major bilateral investment disputes since 1990. Nor are there any outstanding expropriation or nationalization cases in Japan. There have been no cases of international binding arbitration of investment disputes between foreign investors and Japan's Government since 1952. Japan is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards. Nevertheless, Japan is considered an inhospitable forum for international commercial arbitration.

There are no legal restrictions on foreign investors' access to Japanese lawyers and reforms in the legal services sector and the judicial system have increased the ability of foreign investors to obtain international legal advice related to their investments in Japan. Japan does, however, retain certain restrictions on the ability of foreign lawyers to provide international legal services in Japan in an efficient manner. Only individuals who have passed the Japanese Bar Examination and qualified as Japanese lawyers (*bengoshi*) may practice Japanese law. However, under Japan's Foreign Legal Practitioner system foreign qualified lawyers may establish Japanese/foreign joint legal enterprises (*gaikokuho kyodo jigyo*) and provide legal advice and integrated legal services on matters within the competence of its members. Foreign lawyers qualified under Japanese law (*gaiben*), may provide advice on international legal matters. *Gaiben* and *bengoshi* in joint enterprises can adopt a single law firm name of their choice and may determine the profit allocation among them freely and without restriction. However, foreign lawyers are unable to form professional corporations in the same manner as Japanese lawyers and are prohibited from opening branch offices in Japan. *Gaiben* may hire Japanese lawyers to work directly with them or in a joint legal enterprise or in a Foreign Japanese Joint Legal Office (*gaikokuho-jimu-bengoshi jimusho*) composed of multiple *gaiben*. The Japanese government has adopted a long term goal of increasing the number of legal professionals who pass the Bar Examination to 3,000 per year by 2010.

Japan's civil courts enforce property and contractual rights and do not discriminate against foreign investors. Japanese courts, like those in other countries, operate rather slowly and experience has shown them sometimes ill-suited for litigation of investment and business disputes. Japanese courts lack powers to compel witnesses to testify or a party to comply with an injunction. Timely temporary restraining orders and preliminary injunctions are difficult to obtain. Filing fees are based on the amount of the claim, rather than a flat fee. Lawyers usually require large up-front payments from their clients before filing a lawsuit, with a modest contingency fee, if any, at the conclusion of litigation. Contingency fees familiar in the U.S. are relatively uncommon. A losing party can delay execution of a judgment by

appealing. In appeals to higher level courts, additional witnesses and other evidence may be allowed.

Japan's Alternative Dispute Resolution (ADR) law provides a legal framework for arbitration, including international commercial arbitration. Foreign lawyers qualified under Japanese law can represent parties in ADR proceedings taking place in Japan in which one of the parties is foreign or foreign law is applicable, at least to the extent such representation is not inconsistent with Japanese law. The United States continues to urge Japan to promote alternative dispute resolution mechanisms by ensuring that *gaiben* and non-lawyer experts can act as neutrals in international arbitration or other international ADR proceedings in Japan, in whole or in part, regardless of the governing law or matter in dispute.

Courts have the power to encourage mediated settlements and there is a supervised mediation system. However, this process is often time-consuming and judges transfer frequently, so continuity is often lost. As a result, it is common for companies to settle cases out of court.

Performance Requirements and Incentives

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Japan does not maintain performance requirements or requirements for local management participation or local control in joint ventures.

Right to Private Ownership and Establishment

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Foreign and domestic private enterprises have the right to establish and own business enterprises and engage in all forms of remunerative activity.

However, the 2005 Company Law includes a provision -- Article 821 -- which creates uncertainty among foreign corporations that conduct their primary business in the Japanese market through a branch company. As written, Article 821 appears to prohibit branches of foreign corporations from engaging in transactions in Japan "on a continuous basis." The Japanese Diet subsequently issued a clarification of the legislative intent of Article 821 that makes clear the provision should not apply to the activities of legitimate entities. However, some legal uncertainty remains, particularly with respect to possible private litigation against directors and officers of affected firms. The U.S. Government has urged that Japan revoke Article 821 or more formally clarify its meaning. The Japanese government has undertaken to ensure Article 821 will not adversely affect the operations of foreign companies duly registered in Japan and conducting business in a lawful manner.

Protection of Property Rights

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In general, Japan maintains a strong intellectual property rights (IPR) regime, but there are costs and procedures of which prospective investors should be aware. Companies doing business in Japan are encouraged to be clear about all rights and obligations with respect to IPR in any trading or licensing agreements. Explicit arrangements and clear understanding between parties will help to avert problems resulting from differences in culture, markets conditions, legal procedures, or business practices.

Registering Patents, Trademarks, Utility Models and Designs: The IPR rights holder must register patents and trademarks in order to ensure protection in Japan. Filing the necessary

applications requires hiring a Japanese lawyer or patent practitioner (*benrishi*) registered in Japan to pursue the patent or trademark application. A U.S. patent or trademark attorney may provide informal advice, but is not able to perform some required functions.

Patent and trademark procedures in Japan have historically been costly and time-consuming. There have also been complaints about the weaknesses of Japanese enforcement and legal redress, for example, that judges are not adequately trained or that court procedures do not adequately protect business-confidential information required to file a case. Japan's government has revised the law and continues to take steps to address these concerns and it is becoming easier and cheaper to obtain patent and trademark protection. Procedures have been simplified, fees cut, and judges are receiving more training and are being assigned to specialized IPR courts. Courts have strengthened rules to protect sensitive information and the government has established criminal penalties for inappropriate use of sensitive information used in court or administrative proceedings.

Prompt filing of patent application is very important. Printed publication of a description of the invention anywhere in the world, or knowledge or use of the invention in Japan, prior to the filing date of the Japanese application, could preclude the granting of a patent. Japan grants patents on a first-to-file basis. Japan accepts initial filings in English (to be followed by a Japanese translation), but companies should be careful as translation errors can have significant negative consequences. Unlike the United States, where examination of an application is automatic, in Japan an applicant must request examination of a patent application within three years of filing.

The Japanese Patent Office (JPO) publishes patent applications 18 months after filing, and if it finds no impediment to granting a patent, publishes the revised application a second time before the patent is granted. The patent is valid for 20 years from the date of filing. Currently, the law allows parties to contest the terms of a patent after issuance (for up to six months), rather than prior to registration as was the previous practice.

Patent Prosecution Highway: The Patent Prosecution Highway (PPH) is a noteworthy development for U.S. firms seeking patent protection in Japan. This arrangement became fully operational January 4, 2008, after an 18-month pilot program. The PPH will allow filing of streamlined applications for inventions determined to be patentable in other participating countries and is expected to reduce the average processing time (from request for examination to First Action) from 26 months to two to three months for second filings. The program, which is based on information sharing between national patent offices and standardized application and examination procedures, should reduce costs and encourage greater utilization of the patent system.

Trademarks, Utility Models, and Designs: Japan's Trademark Law protects trademarks and service marks and, like patent protection, requires registration by means of an application filed by a resident agent (lawyer or patent agent). As the process takes time, firms planning on doing business in Japan should file for trademark registration as early as practicable. Japan is a signatory of the Madrid Protocol. Trademarks registered at the WIPO Secretariat are protected among all member countries.

Japan's Utility Model Law allows registration of utility models (a form of minor patent) and provides a 10-year term of protection. The JPO reduced registration fees in 2005 and streamlined the application procedures in such cases. A separate design law, effective April 2007, allows for protection of designs for a 20-year term from the date of registration.

Semiconductor chip design layouts are protected for 10 years under a special law, if registered with the Japanese "Industrial Property Cooperation Center" -- a government-established public corporation.

Unfair Competition and Trade Secrets: The Unfair Competition Prevention Law provides for protecting trademarks prior to registration. The owner of the mark must demonstrate that the mark is well known in Japan and that consumers will be confused by the use of an identical or similar mark by an unauthorized user. The law also provides some protection for trade secrets, such as know-how, customer lists, sales manuals, and experimental data. Recent amendments to the law provide for injunctions against wrongful use, acquisition, or disclosure of a trade secret by any person who knew, or should have known, the information in question was misappropriated. Criminal penalties were also strengthened. However, Japanese judicial processes make it difficult to file claims without losing the trade secrets.

Copyrights: In conformity with international agreement, Japan maintains a non-formality principle for copyright registration -- i.e., registration is not a pre-condition to the establishment of copyright protection. However, the Cultural Affairs Agency maintains a registry for such matters as date of first publication, date of creation of program works, and assignment of copyright. United States copyrights are recognized in Japan by international treaty.

Transparency of Regulatory System

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The Japanese economy continues to suffer from over-regulation, which can restrain potential economic growth, raise the cost of doing business, restrict competition, and impede investment. It also increases the costs for Japanese businesses and consumers. Over-regulation underlies many market access and competitive problems faced by U.S. companies in Japan.

The United States has for several years called on Japan to make improvements in its regulatory system to support domestic reform efforts and ensure universal access to government information and the policymaking process.

The Japanese government has taken steps to improve its public comment procedures, but these improvements are not uniform throughout the government. The United States continues to urge Japan to apply consistently high transparency standards, including by issuing new rules to ensure transparency and access for stakeholders in the rulemaking process; by allowing effective public input into the regulatory process; and by giving due consideration to comments received. The United States also has asked Japan to lengthen its public comment period and to require ministries and agencies to issue all new regulations or statements of policy in writing or provide applicable interpretations to interested stakeholders in plain language.

In the financial sector, the Financial Services Agency has made efforts to expand the body of published written interpretations of Japan's financial laws, including improvements to the "no-action letter" system, and improved outreach to the private sector regarding these changes. The United States recommends Japan take further steps to enhance the effectiveness and usage of the "no-action letter" system and provide regulated firms an opportunity to seek clarification of an administrative agency's interpretation of law or regulation, including through more active use of the interpretive letter system.

The United States continues to hold bilateral working-level discussions in an effort to encourage the Japanese Government to promote deregulation, improve competition policy, and administrative reforms that could contribute to sustainable economic growth, increase imports and foreign direct investment into Japan. The National Trade Estimate Report on Foreign Trade Barriers, issued by the Office of the U.S. Trade Representative (USTR), contains a detailed description of Japan's regulatory regime as it affects foreign exporters and investors

Efficient Capital Markets and Portfolio Investment

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Japan maintains no formal restrictions on inward portfolio investment and foreign capital plays an important role in Japan's financial markets. However, many company managers and directors resist the actions of activist shareholders, especially foreign private equity funds, potentially limiting the attractiveness of Japan's equity market to large-scale foreign portfolio investment. Nevertheless, some firms have taken steps to facilitate the exercise of shareholder rights by foreign investors, including the use of electronic proxy voting. The Tokyo Stock Exchange maintains an Electronic Voting Platform for Foreign and Institutional Investors in which more than 300 listed companies participate as of mid-2008. Beginning January 5, 2009, all holdings of TSE-listed stocks will be required to transfer paper stock certificates into electronic form.

Environment for Mergers and Acquisitions: Japan's aversion to M&A is receding gradually, accelerated by the unwinding of previously extensive corporate cross-shareholding networks between banks and corporations in the same business family, improved accounting standards, and government mandates that began in the late 1990's that require banks divest cross-holdings above a set threshold. The majority of M&A over the past decade has been driven by the need to consolidate and restructure mature industries or in response to severe financial difficulties.

Friendly transfer of wholly-owned or majority-owned subsidiaries remains by far the more common form of M&A in Japan. Similarly, unlisted owner-operated firms -- which traditionally would only sell out as a last resort before bankruptcy -- are becoming more amenable to acquisition, including by foreign investors. Nevertheless, there remains a strong preference among Japanese managers and directors for M&A that preserves the independence of the target company. If companies are forced to seek an acquirer, they are often most comfortable merging with a firm with which they have a pre-existing business relationship.

Since the 2006 Company Law expanded the types of M&A structure available in the Japanese market, many companies have adopted defensive measures against hostile takeovers. The most common of these are "advance warning systems" or "poison pill"-type rights distribution plans.

In response to the rapid adoption of such plans and the concerns of many foreign investors, including investment funds, that companies were using takeover defenses to entrench existing management, METI in early 2008 convened the Corporate Value Study Group (CVSG) to clarify the purpose of takeover defense measures and principles governing their use. The CVSG's final report issued July 2008 explicitly recognizes the "positive effects" of hostile takeovers and emphasizes defensive measures should not be used to protect managements' own interests at the expense of shareholders, nor should they deprive

shareholders of the right to make their own determination whether to accept a takeover bid. Nevertheless, a number of technical factors continue to limit greater entry into the Japanese market through M&A. These factors include tax policy, a lack of independent directors, weak disclosure practices, and a relative shortage of M&A infrastructure in the form of specialists skilled in making matches and structuring M&A deals.

Company Law Revisions: The extensive revision of Japan's Company Law (Commercial Code) in 2005-06 significantly expanded the flexibility of corporate capital structures and increased the types of governance structures available to Japanese firms. The new law, which came fully into force in May 2007, revised and combined Part II of the previous Commercial Code with existing laws governing limited liability companies (*yugen gaisha*) and audits. The law also introduced changes to facilitate start-ups and make corporate structures more flexible, including elimination of minimum capital requirements for joint-stock companies (*kabushiki kaisha*). It merged a number of different corporate structures and created a new structure (*godo kaisha*) modeled on the U.S.-style limited liability company.

The revised Company Law also permits formation of corporate holding companies in Japan for the first time since World War II. This step has facilitated use of domestic stock swaps in corporate restructuring, through which one party becomes a wholly-owned subsidiary of the other. Japan's tax law now provides special tax treatment and deferral of taxes on such stock-swap transactions at the time of exchange and transfer. As of May 2007, foreign equities can be used as consideration in triangular merger transactions targeting Japanese firms. However, to take advantage of the new rules, the foreign acquirer must legally establish a Japanese subsidiary firm to act as the counterpart to the stock exchange/transfer.

Changes in Corporate Governance: Under the new Company Law and the Industrial Revitalization Law, publicly traded companies have the option of adopting a U.S.-style corporate governance system instead of the traditional Japanese statutory auditor (*kansayaku*) system of corporate governance. This new system requires the appointment of executive officers and the establishment of a board committee system in which at least the audit, nomination, and compensation committees are composed of a majority of outside directors. Initially available only under the Industrial Revitalization Law and effectively limited to distressed companies, the new Company Law makes these options available to all listed companies. Companies also can use the Internet or other electronic means to provide notices of annual general meetings or similar communication with shareholders. Where available, shareholders may exercise voting rights electronically and companies are permitted to make required disclosures of balance sheet and other financial information in an electronic format.

METI inaugurated a Corporate Governance Working Group in December 2008 tasked with studying the corporate governance situation in Japan and, specifically, whether it is appropriate to require listed companies to have a minimum number of outside board members. The study group will issue its report in mid-2009.

Cross-shareholdings and M&A: Potential foreign investors in Japan frequently point out that cross-shareholding between Japanese listed companies greatly complicates market-based M&A activity and reduces the potential impact of shareholder-based corporate governance. Such cross-shareholding practices allow senior management to put a priority on internal loyalties over shareholder returns and can lead to premature rejection of M&A bids. Traditionally, a company maintained a close relationship with a large-scale commercial

bank, known as a "main bank", usually part of the same loose corporate grouping. In return for holding a bloc of the company's shares, the bank provided both regular financing and emergency support if the company ran into financial difficulties. This "main bank" system largely dissolved in the late 1990's as Japan's banking system came close to collapse. With the recovery of the Japanese economy, however, some company boards have begun rebuilding cross-shareholding networks, this time with suppliers or nominal competitors rather than a commercial bank. Many boards see such linkages as an effective means of defense against hostile takeovers.

Accounting and Disclosure: Accounting and disclosure standards are an extremely important element in assessing and improving a country's environment for M&A. Before any merger or acquisition can take place, it is critical that the merging or acquiring firms have the best possible information on which to make business decisions. Implementation of so-called "Big Bang" reforms since 1998 significantly improved Japan's accounting standards.

Consolidated accounting is mandatory since 1999 and "effective control and influence" standards have been introduced in place of conventional holding standards, expanding the range of subsidiary and affiliated companies included for the settlement of accounts. Consolidated disclosure of contingent liabilities, such as guarantees, is also mandatory. All marketable financial assets held for trading purposes, including cross-shareholdings and other long-term securities holdings, are recorded at market value.

Companies are required to disclose unfunded pension liabilities by valuing pension assets and liabilities at fair value. Fixed asset impairment accounting, in effect since 2005, requires firms to record losses if the recoverable value of property, plant, or equipment is significantly less than book value.

The greater focus on consolidated results and mark-to-market accounting had a significant effect in encouraging the unwinding of cross-shareholdings and the "main bank" system. Corporate restructuring has taken place, in many cases with companies reducing pension under-funding and banks disposal of many low-yield assets. While recent changes to accounting standards and growth in M&A activity have been welcome, they have also exacerbated the shortage of accounting professionals.

The Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) began discussions on the convergence of Japanese both accounting standards and International Financial Reporting Standards (IFRS) practices in March 2005 and, in March 2006, further agreed to accelerate the process of convergence. The ASBJ embarked on similar discussions with the U.S. Financial Accounting Standards Board in May 2006.

Taxation and M&A: Japan's standard tax rate for capital gains is 20 percent. However, under special policy measures intended to stimulate capital markets, Japan applies a special 10 percent capital gains tax rate on the proceeds of sales of listed stocks through 2010 for capital gains of less than ¥5 million and for dividends on listed shares of less than ¥1 million. The government in December 2008 as part of its FY2009 tax reform plan proposed extending the 10 percent rate for all capital gains and dividends through 2011 and special maximum annual ¥1 million tax exemption on dividends and capital gains of small shareholders. Under a series of special measures Japan adopted to promote venture businesses, if the founding shareholder of a qualified company sells shares in the company a ten percent capital gains tax rate will apply if the sale is made prior to public listing in an

M&A transaction and, from 2008, a ten percent rate will apply to shares sold by the founding shareholder within three years of listing.

Bankruptcy Laws: An insolvent company in Japan can face liquidation under the Bankruptcy Act or take one of four roads to reorganization: the Civil Rehabilitation Law; the Corporate Reorganization Law; corporate reorganization under the Commercial Code; or an out-of-court creditor agreement.

Japan overhauled its bankruptcy law governing small and medium size firm bankruptcies by enacting the Civil Rehabilitation Law in 2000. The law focuses on corporate restructuring in contrast to liquidation, provides stronger protection of debtor assets prior to the start of restructuring procedures, eases requirements for initiating restructuring procedures, simplifies and rationalizes procedures for the examination and determination of liabilities, and improves procedures for approval of rehabilitation plans. Japan's Corporate Reorganization Law, generally used by large companies, was similarly revised in 2003. Amendments made corporate reorganization for large companies more cost-efficient, speedy, flexible and available at an earlier stage. By removing many institutional barriers to the restructuring process, the new bankruptcy regime accelerated the corporate restructuring process in Japan.

Previously, most corporate bankruptcies in Japan were handled through out-of-court creditor agreements because court procedures were lengthy and costly. The fact bankruptcy trustees had limited powers to oversee restructuring meant most judicial bankruptcies ended in liquidation, often at distress prices. Beginning in 2001, a group of Japanese bankruptcy experts published a set of private rehabilitation guidelines, modeled after the UK-based INSOL guidelines, for out-of-court corporate rehabilitation in Japan. Out-of-court settlements in Japan tend to save time and expense, but can sometimes lack transparency and fairness. In practice, because 100 percent creditor consensus is required for out-of-court settlements and the court can sanction a reorganization plan with only a majority of creditors' approval, the last stage of an out-of-court workout is often a request for a judicial seal of approval.

Credit Markets: Domestic and foreign investors have free access to a variety of credit instruments at market rates. In general, foreign companies in Japan do not experience significant difficulties in obtaining funding. Most foreign firms obtain short-term credit from Japanese commercial banks or one of the many foreign banks operating in Japan. Medium-term loans are available from commercial banks or from trust banks and life insurance companies. Large foreign firms tend to use foreign sources for long-term financial needs, although sophisticated derivatives products are now available to assist in hedging foreign investors' perceived risk.

Political Violence

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Political violence is rare in Japan. Acts of political violence involving U.S. business interests are virtually unknown.

Corruption

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Japan's penal code covers crimes of official corruption. An individual convicted under these statutes is, depending on the nature of the crime, subject to prison sentences ranging from one month to fifteen years and possible fines up to three million yen or mandatory confiscation of the monetary equivalent of the bribe. With respect to corporate officers who accept bribes, Japanese law also provides for company directors to be personally liable for the amount of the bribe and some judgments have been rendered against company directors.

Although the direct exchange of cash for favors from government officials in Japan is extremely rare, some have described the situation in Japan as "institutionalized corruption." The web of close relationships between Japanese companies, politicians, government organizations, and universities has been said to foster an inwardly-cooperative business climate that is conducive to the awarding of contracts, positions, etc. within a tight circle of local players. This phenomenon manifests itself most frequently and most seriously in Japan through the rigging of bids on government public works projects.

Japanese authorities have acknowledged the problem of bid-rigging and have taken steps to address it. Building on the longstanding laws on bribery of public officials and misuse of public funds, the 2003 Bid-Rigging Prevention Act is aimed specifically at eliminating official collusion in bid rigging. The law authorizes the Japan Fair Trade Commission (JFTC) to demand central and local government commissioning agencies take corrective measures to prevent continued complicity of officials in bid-rigging activities, and to report such measures to the JFTC. The Act also contains provisions concerning disciplinary action against officials participating in bid rigging and compensation for overcharges when the officials caused damage to the government due to willful or grave negligence. Nevertheless, questions remain as to whether the Act's disciplinary provisions are strong enough to ensure officials involved in illegal bid-rigging are held accountable.

Complicating efforts to combat bid rigging is the phenomenon known as *amakudari* whereby government officials retire into top positions in Japanese companies, usually in industries that they once regulated. *Amakudari* employees are particularly common in the financial, construction, transportation, and pharmaceutical industries, among Japan's most heavily regulated industries. A 2007 law aimed at limiting involvement of individual ministries in finding post-retirement employment for its officials and more transparent administrative procedures may somewhat ameliorate the situation.

Japan ratified the OECD Anti-Bribery Convention, which bans bribing foreign government officials. The OECD has identified deficiencies in Japan's implementing legislation, some of which the Japanese Government has taken steps to rectify. In 2004, Japan amended its Unfair Competition Prevention Law to extend national jurisdiction to cover the crime of bribery and in 2006 made changes to the Corporation Tax Law and the Income Tax Law expressly to deny the tax deductibility of bribes to foreign public officials. In March 2007, prosecutors indicted officials of a Fukuoka-based engineering firm in the first case brought under the 1998 Anti-foreign Bribery law. In July 2008, prosecutors charged former executives of a MOFA-linked consulting company with bribery of a foreign government official in connection with the approval of Japanese ODA contracts.

Bilateral Investment Agreements

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The 1952 U.S.-Japan Treaty of Friendship, Commerce, and Navigation gives national treatment and most favored nation treatment to U.S. investments in Japan. As of December

2008 Japan has concluded or signed bilateral investment treaties with fifteen trading partners including Egypt, Sri Lanka, China, Hong Kong SAR, Turkey, Pakistan, Bangladesh, Russia, Mongolia, Vietnam, the Republic of Korea, and Cambodia, Laos, Uzbekistan, and Peru. The Japanese Government has announced plans to accelerate efforts to reach BITs with countries that are abundant in natural and agricultural resources, beginning with Qatar, Colombia and Kazakhstan in 2009, and gradually expanding the scope to other key trading partners, including China.

Japan has economic partnership agreements (EPA -- analogous to a free trade agreement) containing investment chapters in force with Singapore, Mexico, Malaysia Thailand and Chile. Japan has also signed such agreements with the Philippines, Brunei, and Indonesia, but these are not yet in force. A multilateral EPA with all 10 members of the Association of Southeast Asian Nations (ASEAN) came into effect in December 2008.

U.S.-Japan Investment Initiative: The U.S. Government's concerns about barriers to foreign investment in Japan are addressed through the U.S.-Japan Investment Initiative under the Economic Partnership for Growth, established by President Bush and Prime Minister Koizumi in June 2001. The Initiative's Investment Working Group holds semi-annual sessions to discuss policy measures that could improve the investment climate in both countries. The group pursues a vigorous program of public outreach. In order to increase business receptiveness to FDI, the Initiative holds annual investment promotion seminars. The 2008 seminar took place in Shizuoka and included representatives of approximately 150 U.S. and Japanese companies.

OPIC and Other Investment Insurance Programs

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U.S. OPIC insurance and finance programs are not available in Japan. Japan is a member of the Multilateral Investment Guarantee Agency (MIGA). Japan's capital subscription to the organization is the second largest, after the United States.

Labor

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Changing demographic patterns, macroeconomic trends, and regulatory reforms are gradually affecting traditional Japanese employment practices. Foreign investors seeking to hire highly qualified workers in Japan should benefit from many of these changes.

Throughout most of the post-war period, Japanese employment practices -- most notably in the nation's large, internationally competitive firms -- rested on three pillars: lifetime employment, seniority-based wages, and enterprise unions. Today all three are undergoing rapid transformation. Demographic pressures -- fewer young workers and a rapidly aging labor force and the subsequent structural changes in the Japanese economy are forcing many firms to reduce sharply lifetime employment guarantees and seniority-based wages in favor of merit-based pay scales and limited-term contracts. Although labor unions play a role in the annual determination of wage scales throughout the economy, that role is shrinking. As in the United States, trade union membership as a portion of the labor force has been declining for decades. However, the number of part-time workers who are union members has increased in recent years as a result of strengthened organizing efforts by some labor unions.

Investors should be aware of Japan's high wage structure. Growth in average wages has been slow, even in the midst of a return to economic growth, a situation that largely reflects the shift to increased use of non-regular employees and the hiring of younger workers to replace older, higher-wage workers who have begun to retire.

Traditionally, Japanese workers were classified as either "regular" or "other" employees. This system, to a considerable degree, remains in place. Companies recruit "regular" employees directly from schools or universities and provide an employment contract with no fixed duration. In contrast, firms hire "other" employees on fixed duration contracts, which generally cannot exceed one year but may be renewed several times. Since the mid-1990's, companies increasingly use part-time workers, interns, and temporary workers to fill temporary labor requirements. According to a 2007 MHLW survey, non-regular workers accounted for 71.8 percent of all employees aged 15-19 years and 43.2 percent of all employees age 20-24. There remains deep concern among Japanese government policy makers that the number of non-regular employees age 25-34 remains stubbornly high and the ability of such workers to find permanent employment will decline as they get older. In the current economic contraction, these non-regular employees and temporary workers have borne the brunt of corporate adjustment to the worldwide recession. In the last two months of 2008, the Japanese Government estimates that 115,079 temporary workers have had their employment contracts terminated. In many cases, terminations also mean the loss of company-provided housing and other non-cash remuneration.

Defined contribution pension plans have been available in Japan since 2001. Such plans should promote greater labor mobility in the future, as workers are able to carry pension savings with them to new jobs. However, only about three percent of workers are currently covered by such plans and the ceiling on contributions is too low to realize the full potential of the program. In December 2008, the government submitted legislation that would, for the first time, allow employees to make individual contributions to their pension plans and would raise the tax deductible contribution limits.

Foreign-Trade Zones/Free Ports

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Japan no longer has free-trade zones or free ports. Customs authorities allow the bonding of warehousing and processing facilities adjacent to ports on a case-by-case basis.

Foreign Direct Investment Statistics

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Between 1998 and December 2007, Japan's stock of FDI increased from ¥3.0 trillion to ¥15.4 trillion. In the same period investment inflows were generally strong. All data in the tables below are current as of December 2007. Negative figures indicate net outflow.

Table 1a: Net FDI Inflows (Unit: billion dollars; balance-of-payment basis)

JFY 1998	JFY 1999	JFY 2000	JFY 2001	JFY 2002
3.27	12.31	8.23	6.19	9.09
JFY 2003	JFY 2004	JFY 2005	JFY 2006	JFY 2007
6.24	7.81	3.22	-6.78	22.18

Table 1b: Ratio of Inward to Outward FDI (balance-of-payment basis)

JFY 1998 1 : 7.5	JFY 1999 1 : 1.8	JFY 2000 1 : 3.8	JFY 2001 1 : 6.2	JFY 2002 1 : 3.5
JFY 2003 1 : 4.6	JFY 2004 1 : 4.0	JFY 2005 1 : 14.1	JFY 2006 1 : 9.4	JFY 2007 1 : 3.3

1. Figures were first calculated in nominal Japanese yen and converted into U.S. dollars using Bank of Japan average annual exchange rates.

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi02_e_0804.xls
http://www.jetro.go.jp/en/reports/statistics/bpfdi01_e_0804.xls

Table 2: Foreign Direct Investment in Japan, by country (Unit: million dollars; net and flow; balance-of-payment basis)

	CY2003	CY2004	CY2005	CY2006	CY2007
North America	-617	2,294	-636	-2,666	12,706
U.S.A.	-641	1,407	308	105	13,270
Canada	25	890	-944	-2,771	-561
Asia	371	994	1,565	-852	1,605
China	-2	-9	11	12	15
Hong Kong	38	295	960	-2,136	47
Taiwan	80	74	-26	110	36
Korea	-101	251	31	108	221
Singapore	329	389	598	1,062	1,282
Thailand	28	-1	-6	1	1
India	0	0	1	-1	3
W. Europe	5,103	5,623	1,123	-3,938	4,785
Germany	1,764	1,170	237	-542	-813
U.K.	-442	-310	132	1,807	540
France	651	1,049	-78	274	504
Netherlands	3,200	3,611	2,541	-7,583	-390
Belgium	182	-417	-1,188	884	148
Luxembourg	316	260	363	-12	484
Switzerland	-286	108	-748	317	1,162
E. Europe, Russia	-1	-1	0	-4	1
L. America	1,376	-1,114	1,278	566	2,831
Mexico	2	0	0	0	0
Brazil	0	20	1	0	0
Cayman Is.	1,347	752	1,069	-82	1,480
Oceania	6	-4	-114	36	215
Middle East	1	3	9	-1	3
Africa	0	-13	1	63	33
TOTAL	6,238	7,808	3,223	-6,789	22,181

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi02_e_0804.xls

Table 3: Japan's FDI inward stock by country/region (Unit: million dollars)

	end of 2003	end of 2004	end of 2005	end of 2006	end of 2007
North America	40,222	45,919	47,729	44,273	45,947
U.S.	36,612	40,872	43,888	41,989	44,795
Canada	3,610	5,049	3,841	2,284	1,152

Asia	4,904	5,889	6,702	8,247	9,390
China	90	90	102	100	125
Hong Kong	1,793	2,136	2,612	1,928	2,301
Taiwan	1,591	1,605	1,391	1,475	1,534
Korea	244	537	313	423	694
Singapore	1,039	1,380	2,159	4,205	4,620
Thailand	49	48	42	42	44
India	10	10	10	9	13
Europe	39,273	41,779	38,101	42,367	62,341
Germany	4,978	3,915	5,904	4,582	3,811
U.K.	1,692	2,310	3,033	4,983	5,962
France	12,321	13,693	10,777	11,549	12,776
Netherlands	13,541	14,210	11,654	12,175	26,025
Belgium	540	613	474	1,901	1,947
Luxembourg	1,827	1,650	1,632	1,635	2,267
Switzerland	2,646	3,172	2,106	3,536	3,942
E. Europe, Russia	51	52	47	47	46
L. America	4,764	3,004	8,218	12,123	15,227
Mexico	5	5	4	4	5
Brazil	14	33	31	30	32
Cayman Is.	4,186	2,666	5,599	8,400	10,469
Oceania	618	637	478	492	779
Middle East	6	9	14	14	20
Africa	1	-12	1	63	99
TOTAL	89,838	97,305	101,322	107,663	133,888

Source: http://www.jetro.go.jp/en/reports/statistics/iip_2007_2.xls

Table 4: FDI in Japan, by industry (Unit: million dollars) (net flow reporting basis for 2002 – 04, balance of payment basis for CY 2005 - 07)

	JFY2003	JFY2004	CY2005	CY2006	CY2007
Manufacturing (total)	4,310	952	-2,191	254	1,381
Machinery	2,489	402	--	--	--
General machinery	--	--	164	-24	-22
Electric machinery	--	--	-1,195	32	-391
Trans. equipment	--	--	32	-1,408	331
Precision machines	--	--	-59	598	20
Chemicals	970	199	--	--	--
Chemicals and pharmaceuticals	--	--	-1,168	1,538	-1,010
Metals	25	7	--	--	--
Iron, non-ferrous metals	--	--	-34	60	230
Rubber & leather	--	--	1	35	35
Petroleum	114	166	-44	37	935
Textiles	10	83	188	58	109
Food	448	32	-211	-717	365
Glass & ceramics	--	--	103	193	663
Others	248	63	--	--	--

Non-manuf. (total)	14,412	36,507	5,414	-7,043	20,800
Farming & forestry	--	--	-1	11	41
Fish/ marine products.	--	--	0	-39	-33
Mining	--	--	0	1	0
Finance/ Insurance	9,005	27,693	645	2,265	17,661
Trading	3,265	999	--	--	--
Wholesale & retail	--	--	1,157	-387	1,660
Services	955	1,263	178	122	295
Real estate	609	213	15	72	1,413
Telecommunication	535	4,338	--	--	--
Communication	--	--	912	-9,715	-633
Transportation	15	1,947	2,108	28	-288
Construction	10	31	41	37	19
Others	18	24	--	--	--
TOTAL	18,722	36,507	3,223	-6,789	22,181

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi06_e_0810.xls

Table 5: Japanese Direct Investment Overseas, by country (Unit: million dollars; net and flow; balance-of-payment basis)

	CY2003	CY2004	CY2005	CY2006	CY2007
North America	11,003	7,601	13,169	10,188	17,385
U.S.A.	10,691	7,559	12,126	9,297	15,672
Canada	313	42	1,042	892	1,713
Asia	5,028	10,531	16,188	17,167	19,388
China	3,980	5,863	6,575	6,169	6,218
Hong Kong	-62	491	1,782	1,509	1,131
Taiwan	217	473	828	491	1,373
R. Korea	333	771	1,736	1,517	1,302
Singapore	-457	138	557	375	2,233
Thailand	678	1,867	2,125	1,984	2,608
Indonesia	484	498	1,185	744	1,030
Malaysia	-504	163	524	2,941	325
Philippines	114	6	442	369	1,045
India	124	139	266	512	1,506
Europe	7,943	7,097	7,509	18,029	20,456
Germany	714	645	270	1,128	880
U.K.	2,468	1,649	2,903	7,271	3,026
France	1,153	25	541	842	479
Netherlands.	3,454	3,337	3,315	8,497	12,440
Sweden	119	-70	82	416	254
Spain	-145	183	363	136	10
Latin America	3,150	3,120	6,402	2,547	9,482
Mexico	372	191	629	-2,603	501
Brazil	1,068	-65	953	1,423	1,244
Cayman Isles	1,636	2,726	3,915	2,814	5,838
Oceania	1,139	1,856	943	723	4,204
Australia	964	1,651	640	466	4,140
Middle East	-38	-63	542	242	958
UAE	-47	-19	19	-56	60
Saudi Arabia	20	-38	494	254	746
Africa	430	378	25	899	1,101
South Africa	121	124	-17	466	82
TOTAL	28,767	30,962	45,461	50,165	73,483

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi01_e_0804.xls

Table 6: Japanese Direct Investment Overseas, by industry (Unit: million dollars, net and flow; reporting basis for JFY2002 – 04, balance of payment basis for CY 2005 - 06)

	JFY2003	JFY2004	CY2005	CY2006	CY2007
Manufacturing (total)	16,246	13,750	26,146	34,513	39,515
Chemicals and Pharmaceuticals	4,749	3,530	3,363	4,413	3,744
Transport	3,013	3,601	--	--	--
Food	428	1,088	1,685	1,025	12,776
Metal	1,078	1,391	--	--	--
Iron, non-ferrous & metals	--	--	1,331	1,795	2,202
Machinery/General Mach.	956	1,108	1,296	1,663	2,642
Electric machinery	--	--	4,377	7,041	4,691
Transportation equipment	--	--	8,611	8,597	8,671
Precision machinery	--	--	1,419	1,420	1,293
Rubber and leather	--	--	831	1,107	835
Lumber & pulp	28	119	826	420	745
Textiles	178	172	416	180	371
Petroleum	--	--	531	2,921	-280
Glass & ceramics	--	--	258	2,759	837
Non-manuf. (total)	19,599	21,010	19,315	15,652	33,968
Finance/Insurance	7,639	11,613	9,227	5,562	19,458
Trade	4,315	1,884	--	--	--
Wholesale & retail	--	--	4,623	5,483	4,792
Real estate	1,494	370	-851	-811	162
Services	1,940	2,360	1,086	188	1,406
Transportation	1,876	1,286	824	1,507	2,133
Mining	1,915	2,054	1,372	1,577	4,053
Construction	258	280	148	-64	490
Farming/ forestry	158	38	23	42	93
Fisheries	4	24	-44	28	64
Communications	--	--	1,712	-3,368	-331
TOTAL	36,092	34,548	45,461	50,165	73,483

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi05_e_0810.xls

Table 7: FDI Inflow Relative to GDP (balance-of-payment basis)

	CY2003	CY2004	CY2005	CY2006	CY2007
(a) GDP/Nom (trillion yen)	490.3	498.3	501.7	508.9	515.7
(b) FDI Inflow (trillion yen)	0.73	0.85	0.31	-0.76	26.55
b/a (pct)	0.15	0.17	0.06	-0.15	5.15

Source: <http://www.mof.go.jp/bpoffice/bpdata/fdi/fdi2bop.htm>

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For the promotion of foreign direct investment (FDI) in Japan:
Japan External Trade Organization (JETRO)
<http://www.jetro.go.jp/investjapan>

For additional FDI statistics:
<http://www.jetro.go.jp/en/stats/statistics>
http://www.jetro.go.jp/en/invest/success_stories

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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There are a number of methods used to settle payment in Japan: cash in advance, letter of credit used in conjunction with a documentary draft (time or sight), promissory note, documentary collection or draft, open account and consignment sales. As with U.S. domestic transactions, a major factor in determining the method of payment is the degree of trust in the buyer's ability and willingness to pay.

Because of the protection it offers to the U.S. exporter and the Japanese importer, an irrevocable letter of credit (L/C) payable at sight is commonly used for settlement of international transactions. As large Japanese general trading companies often serve as intermediaries to small and medium-sized companies, L/Cs are often issued in their name rather than in the name of the end user of the product. With the trading company taking on the risk of the transaction, the U.S. firm is protected from the possible bankruptcy of the smaller company.

Another payment option is the use of documentary collection or open account with international credit insurance that, unlike the letter of credit, allows the importer's line of credit to remain open. At the same time, this option protects the exporter if the buyer goes bankrupt or cannot pay. International credit insurance can be obtained from the Export-Import Bank of the United States or private insurers.

A payment method widely used in Japan but sometimes unfamiliar to U.S. companies is the promissory note (*yakusoku tegata*). Promissory notes are IOUs with a promise to pay at a later date, typically 90 to 120 days. Banks will often provide short-term financing through discounting and rollover of notes. Factoring and other forms of receivables financing (whether with or without recourse) are not common in Japan, and more conservative businesspeople find such arrangements a violation of the "relationship" between buyer and seller. It should be noted that, domestically, it is not uncommon for the buyer to request, and be granted an extension of the term of the *tegata* if there are cash-flow problems.

How Does the Banking System Operate

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While financial system deregulation and international competitive pressure has drastically changed the face of Japanese banking (the consolidation of 19 banks into three mega banks), the connection between corporate finance and banking institutions and non-financial corporations remains much tighter in Japan than in the United States;

and extends far beyond simple lender/borrower relationships. Much corporate banking business is rooted in either *keiretsu* or regional relationships, and Japanese banks are frequently shareholders in companies that conduct banking business with them.

This unique relationship between a company and its bank has been long-standing; until recently, a Japanese company rarely changed its primary lender, although it would occasionally "shop around" for better credit arrangements. Even when credit is loose, companies sometimes borrow in excess of their need in order to maintain good relations with their bank and to ensure that funds will be available in leaner years. Banks are often large shareholders in publicly traded corporations, have close relationships with both local governments and national regulatory agencies, and often play a coordinating role among their clients. The collapse of the asset price "bubble" and the consequent worsening of bank balance sheets since the early 1990s, as well as corporate borrowing outside of traditional channels, has increasingly caused borrowers to tap international capital markets, and placed traditional banking systems under considerable strain. However, it remains safe to say that the Japanese commercial bank system is much more relationship oriented than the transaction-based U.S. system. That said, as of this writing (February 2009), there is a growing body of anecdotal evidence that the gathering financial crisis has led to some firms being unable to get needed corporate and trade finance even from their long-standing relationship banks.

While large corporations with suitable credit ratings (especially export-oriented firms) can rely on corporate bond issues rather than banks for financing, bank lending continues to be the primary financing method for small and medium sized companies. However, after the "bubble" economy of the late 1980s and early 1990s, Japanese banks had a harder time maintaining strong capital positions, and consequently became more restrictive, leading to a credit crunch. In November 1996, the Japanese government embarked on a "Big Bang" financial reform initiative and in December of 2007 announced a plan to improve Japan's global competitiveness in financial services. While the actual long-term market impact of this liberalization still remains to be seen, the psychological impact in raising awareness of the potential effects of deregulation is now apparent.

Japanese banks offer regular and time deposits and checking accounts for businesses. Checks are negotiable instruments that are in effect payable to the bearer (rather than to the order of the payee, as in the United States). This limits the usefulness of checks, and in fact, most payments are made by electronic bank transfer (which costs a few hundred yen on average), or by sending cash through the postal system. The banks (and now investment/securities firms) historically waged an uphill battle against the recently privatized postal savings system for consumer deposits, but now that postal savings bank must pay taxes and deposit insurance, in addition to losing its implicit government guarantee, increased competition in the banking sector has already begun to some extent.

Personal checking accounts are almost unknown in Japan. Most individuals use electronic bank transfers to settle accounts. Cash settlement is also very common and the Post Office has a mechanism for payment by "cash envelope" which is widely used in direct marketing and other applications. Many Japanese banks now operate 24-hour cash machines (as do some credit card companies). Bank and other credit cards are easy to obtain and are widely accepted. Some bank credit cards offer revolving credit, but in most cases balances are paid in full monthly via automatic debiting from bank accounts.

The relationship among trading company, end user and exporter is an important feature of the financing environment in Japan. The Japanese general trading company (*sogo shosha*) is an integrated, comprehensive organization that embraces a range of functions including marketing and distribution, financing and shipping and the gathering of commercial information. It performs functions that in the United States would be carried out by import/export companies, freight forwarders, banks, law firms, accounting firms and business consultants. Thus, U.S. firms dealing with trading companies should familiarize themselves with the financing capabilities of such firms.

Opening a Bank Account

All financial institutions in Japan are subject to Japanese law concerning the prevention of money laundering and are required to confirm that entities and individuals are legally registered or have resident status in Japan. Generally, non-resident U.S. business entities or citizens cannot open a bank account with a financial institution in Japan.

Japanese law requires an applicant who wishes to open a bank account to present a set of documents that will enable a financial institution to confirm identity. For a U.S. business entity with a business establishment in Japan, such as a sales office, branch, or subsidiary, such documents will include (1) a certificate, certified copy, or certified abstract of their Japanese business registration, (2) a certificate showing corporate seal registration, and /or (3) other official documents as the financial institution may require.

A U.S. citizen who is a lawful resident in Japan is required to present (1) a certificate of alien registration, (2) valid visa, and (3) other official documents, as required by the bank, such as a certificate of registration of one's personal seal ("inkan"). For a non-resident U.S. citizen, such as a short-time visitor, there may be bank transactions that one may be able to initiate without having a deposit account. These may include currency exchange or limited funds transfer.

Foreign-Exchange Controls

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Foreign exchange regulations have almost no impact on normal business transactions

U.S. Banks and Local Correspondent Banks

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In addition to U.S. banks with branches in Japan, many other U.S. banks have correspondent relationships with Japanese banks, which themselves have many branches and subsidiaries in the United States.

Leading Commercial Banks in Japan

Resona Bank

2-1 Bingomachi 2-chome, Chuo-ku, Osaka 540-8610

Tel: +81/6/6271-1221; fax: 6268-1337

<http://www.resona-gr.co.jp/holdings/english/index.html>

Bank of Tokyo-Mitsubishi UFJ

2-7-1 Marunouchi, Chiyoda-ku, Tokyo 100-8388

Tel: +81/3/3240-1111; fax: 3240-4764

<http://www.bk.mufg.jp/english>

Development Bank of Japan
1-9-1 Ohtemachi, Chiyoda-ku, Tokyo 100-0004
Tel: +81/3/3244-1770; fax: 3245-1938
<http://www.dbj.jp/en/index.html>

Japan Bank for International Cooperation
1-4-1 Ohtemachi, Chiyoda-ku, Tokyo 100-8144
Tel: +81/3/5218-3579; fax: 5218-3968
<http://www.jbic.go.jp/english/index.php>

Mizuho Corporate Bank
1-3-3 Marunouchi, Chiyoda-ku, Tokyo 100-8210
Tel: +81/3/3214-1111
<http://www.mizuhocbk.co.jp/english>

Sumitomo Mitsui Banking Corporation
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006
Tel: +81/3/5512-3411; fax: 5512-4429
<http://www.smbc.co.jp/global/index.html>

Multilateral Development Bank Offices in Japan:
Asian Development Bank
Second floor, Yamoto Seimei Building
1-1-7 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011
Tel: +81/3/3504-3160; fax: 3504-3165
E-mail: adbpro@adb.org or <http://www.adb.org>

Project Financing

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While some large U.S. companies in Japan enjoy strong relationships with the larger Japanese "city banks," most medium and small-sized U.S. firms have stated that it is difficult to secure the specific type of trade financing services needed for importing and distribution. Under current global financial conditions, it seems likely that Japanese commercial bank financing will be very difficult for most foreign firms to come by. In Japan, credit evaluation is heavily asset-based, and real estate is still favored as collateral despite the collapse of "bubble" era valuations. Moreover, a firm's ability to borrow may also be based on its personal relationships and rapport with bank officials rather than on typical U.S. standards of credit-worthiness. Some smaller firms report that they have been forced to secure needed financing from offshore sources. For U.S. companies with operations in Japan, teaming up with Japanese partners in a joint venture has been effective as a way to receive better treatment from Japanese banks. While most U.S. banks operating in Japan do engage in lending to subsidiaries of U.S. companies (especially their home market clients), many of them focus on higher value-added lines of business than conventional credit products. When a Japanese bank extends credit to a foreign-owned company in Japan, it generally evaluates the financial status of both the borrower and its parent company. Even in cases where the Japanese subsidiary is financially strong, the parent company is often requested to guarantee the obligation (although a "Letter of Awareness" may be accepted in lieu of a guarantee).

Types of Export Financing and Insurance

The Government of Japan's programs to promote imports and foreign investment in Japan include tax incentives, loan guarantees, low-cost loans to Japanese and foreign investors for import infrastructure through the Development Bank of Japan and other loan programs. Underscoring the Government's emphasis on import promotion, both the Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO) have established import divisions.

Four major public financing corporations, the Japan Bank for International Cooperation, the Development Bank of Japan, the Japan Finance Corporation for Small Business and the National Life Finance Corporation, now make low-interest loans to encourage imports to and investment in Japan. In addition, the services of the Japan Regional Development Corporation, a government-affiliated institution that develops business parks and provides long-term loans at low interest rates, are available to foreign companies.

The Japan Bank for International Cooperation's import credit program for manufactured goods aims to provide support for the import of manufactured goods from developed countries to Japan. Five-year secured or guaranteed loans up to 70 percent loan-to-value and credit lines at preferential interest rates are available to importers, distributors and retailers incorporated in Japan who plan to increase their imports of manufactured goods excluding food products 10 percent or more over the previous year. Direct 70 percent loan-to-value long-term loans are also available to foreign exporters for the purchase of manufactured goods to be exported to Japan under deferred-payment terms, as well as to foreign manufacturers and intermediary financial institutions for investment in production facilities and equipment to be used to produce goods for the Japanese market.

The Development Bank of Japan (DBJ) offers loans designed to increase imports into Japan. These loans are available to Japanese companies with at least 33 percent foreign capital or registered branches in Japan of non-Japanese companies for 40 to 50 percent of project costs for the expansion of business operations in Japan.

The Japan Finance Corporation for Small Business and National Life Finance Corporation has expanded their program to facilitate import sales. The program aims to provide support to small-scale retailers, wholesalers and importers in Japan for investments to increase imports to Japan. A program between U.S. Eximbank and the Export-Import Insurance Division of METI (EID/METI) provides for co-financing insurance for U.S. exports to developing countries. EID/METI will also be providing advance payment insurance for U.S. exports to Japan. For additional details on these and other cooperative financing programs, U.S. companies should contact U.S. Eximbank.

No insurance for U.S. exporters is available from the Japanese Government.

Other Financing

Japan has been a member of the Multilateral Investment Guarantee Agency (MIGA) since it was established in 1988. In addition to the investment loan programs from Japanese Government-affiliated lenders described above, prefectures and municipalities offer various incentives, including construction, land acquisition and labor hiring subsidies, special depreciation of business assets, tax deferments for replacement of

specific assets, exemption from special land-owning taxes assessed by municipalities and prefectural and municipal real estate acquisition, enterprise and municipal property tax reductions. In addition, most prefectures offer loan programs to encourage companies to establish local operations.

Japan's venture capital specialist funds are only half the size of those in the United States. Traditionally the top Japanese venture capital companies have acted more like quasi-banks than venture capital firms. Also, Financial Services Agency guidance to brokers to set tough standards for companies seeking to go public results in even the best companies taking up to a decade to get a listing on the over-the-counter stock market – less than 1000 over-the-counter stocks are listed on the nine-year-old JASDAQ, Japan's electronic OTC market.

Types of Projects Receiving Financing Support: In line with the Cabinet Decision in March 1995, the Export-Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF) merged on October 1, 1999, creating a new institution, the Japan Bank for International Cooperation (JBIC).

JBIC is a governmental institution that deals with external economic policy issues such as encouraging exports, securing access to energy resources, promoting direct overseas investments and improving Japan's external imbalances through financial assistance to the trade and investment activities of Japanese companies.

The financial facilities offered by JBIC include export loans, import loans, overseas investment loans and untied loans. JBIC also provides loan guarantees to private financial institutions, short-term loans designed to finance the external transactions of the governments of developing nations (bridge loans), and equity participation in the overseas projects of Japanese companies.

JBIC's international financial operations focus on projects in developing countries where local financial institutions cannot provide financing on their own. As JBIC's mandate is the support of internationalization for Japanese companies, its loans can be distinguished from Overseas Economic Cooperation operations, which targets the economic development of developing countries.

Overseas Investment Loans and Overseas Project Loans: These loans are typically granted via JBIC and extended to Japanese corporations for overseas investment activities and overseas projects. Overseas investment loans can also be made to overseas joint ventures involving Japanese capital and to foreign governments for capital investments or loans to joint ventures involving Japanese capital.

Un-Tied Loans: Extended to foreign governments, foreign governmental institutions, foreign financial institutions (including multilateral development banks), foreign corporations, and so forth for high-priority projects and economic restructuring programs in developing countries. These loans are not tied to the procurement of goods and services from Japan but are restricted to the specific purposes designated for each loan. These loans are managed by JBIC.

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov>

SBA's Office of International Trade: <http://www.sba.gov/oit>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccg/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Business Customs

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An understanding of Japanese business and social practices is useful, if not required, in establishing and maintaining successful business relationships in Japan. Indifference to local business practices can indicate a lack of commitment on the part of the exporter, and may lead to misunderstandings and bad feelings, which could result in the loss of business opportunities. One should not assume that because meetings and correspondence are carried out in English that Western social and business norms apply.

Japanese society is complex, structured, hierarchical and group-oriented. It places strong emphasis on maintaining harmony and avoiding direct confrontation. Japanese religious practice tends to be socially oriented and selective rather than a matter of deep personal commitment; ethics tend to be situational. In building relationships (which often precede a first-time sale or an agreement) one should emphasize trust, confidence, loyalty and commitment for the long term.

Group decision-making is important in Japan and has been generally described as a "bottom up" exercise rather than "top down." Family businesses founded since WWII and smaller second-tier firms are exceptions to this rule. However, even in the large family firms, where decisions are made at the top, the process is usually managed so

that company members have a sense of participation. This type of group decision-making tends to be slower. Recognizing that it takes a longer time to cultivate business relationships in Japan than in the United States, U.S. business executives should not expect to make a deal in just a few days. Consistent follow-up is vital. Likewise, U.S. business people should recognize the importance of working with the staff level of their Japanese counterparts and not exclusively with the executive level.

Gift giving is expected on many business occasions in Japan. Regional U.S. gifts or company-logo gifts are appropriate. Quality is important, but the gift does not have to be expensive. The packaging of the gift is as important as the gift itself and should be done professionally. In Japan, sets of four are considered unlucky (the number four is pronounced the same as the word for death). Gifts that can be shared among a group are appropriate.

Business travelers to Japan should make sure to bring a large supply of business cards (with their title) when they come to Japan; printing bilingual cards is a nice touch. Business cards are exchanged to formalize the introduction process and establish the status of the parties relative to each other. Japanese bow when greeting each other but will expect to shake hands with foreign executives. A slight bow in acknowledgment of a Japanese bow is appreciated. Japanese executives deal on a last name basis in business relationships, and initial business and social contacts are characterized by politeness and formality.

Business travelers visiting a Japanese firm for the first time should be accompanied by an interpreter or bilingual assistant. Many Japanese executives and decision-makers do not speak English, although many of them can greet visitors in English and read English product literature relevant to their business or industry expertise. Generally speaking, Japanese are weaker at hearing and speaking English, and more adept at reading and writing. Thus, the Japanese side in a business meeting generally expects a visitor to bring an interpreter if they are serious about doing business. Although the cost for hiring an interpreter can be very high (\$400 to \$900 per day depending on class), bringing along an interpreter shows that a visiting firm is serious about seeking to market their products/services in Japan.

The first visit to a Japanese firm generally serves as a courtesy call to introduce U.S. executives and their company, and also allows the U.S. side to begin to evaluate a target company and its executives as potential business partners. A request to meet only with English speaking staff can mean missing the opportunity to become acquainted with higher-ranking executives.

A written contract, even if less detailed than a contract between two U.S. companies, is essential to meet legal, tax, customs and accounting requirements. Contractual commitments are perceived as representing long-term relationships so the terms and conditions, for example whether to grant exclusive rights, should be considered carefully.

Japan's travel infrastructure is on a par with that of the United States. All business and tourist traveler services are available. For additional information on traveling to Japan, contact the Japan National Tourist Organization (JNTO) in New York at: tel: (212) 757-5640; fax: (212) 307-6754, or visit JNTO's website at <http://www.jnto.go.jp>.

U.S. business travelers to Japan seeking appointments with U.S. Embassy Tokyo officials should contact the Commercial Section in advance. The Commercial Section can be reached by fax at +81/3/3589-4235 or by e-mail to tokyo.office.box@mail.doc.gov.

Travel Advisory

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There are no State Department travel advisories for Japan. Japan has long been noted for its low crime and safe streets.

Crimes against U.S. citizens in Japan are rare and usually only involve personal disputes, theft, or vandalism. Crime is at levels well below the U.S. national average. Violent crime is rare, but does exist. Incidents of pick pocketing of foreigners in crowded shopping areas, on trains and at airports have been a sporadic concern. Some U.S. citizens believe that Japanese police procedures appear to be less sensitive and responsive to a victim's concerns than would be the case in the United States, particularly in cases involving domestic violence and sexual assault. Few victim's assistance resources or battered women's shelters exist in major urban areas, and are generally unavailable in rural areas. Investigations of sexual assault crimes are often conducted without women police officers present and typically involve inquiries into the victim's sexual history and previous relationships. Quality of translations can vary significantly, and has proven unsettling to some U.S. victims.

For additional information, please refer to the State Department's "Consular Information Sheet" for Japan at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html.

Visa Requirements

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A valid U.S. passport is necessary to enter and travel in Japan. By Japanese law, non-residents are required to carry their passports (or their Alien Registration Card if staying longer than 90 days) at all times.

A visa is not required for short-term business visits (up to 90 days). It is not required to have a round-trip ticket, although it is recommended. A work or investor visa may take up to two months to obtain. Immunization and health certificates are not required. Foreigners remaining in Japan longer than 90 days must obtain an Alien Registration Card, available free of charge from the municipal office of the city or ward of residence in Japan.

Upon arrival, going through both immigration and customs checks are essentially a formality for U.S. business travelers as long as passport and air ticket are in order. Starting November 20, 2007, all foreign nationals entering Japan, with the exemption of certain categories listed below, are required to provide fingerprint scans and be photographed at the port of entry. This requirement does not replace any existing visa or passport requirements. Foreign nationals exempt from this new requirement include special permanent residents, persons under 16 years of age, holders of diplomatic or official visas, and persons invited by the head of a national administrative organization.

U.S. travelers on official business must have a diplomatic or official visa specifying the nature of travel as "As Diplomat," "As Official," or "In Transit" to be exempt from

biometric collection. All other visa holders, including those with diplomatic and official visas stating "As Temporary Visitor," are subject to this requirement. SOFA personnel are exempt from the new biometrics entry requirements under SOFA Article 9 (2).

Passengers are advised to exchange some U.S. dollars for yen before leaving the airport.

The web address for the Consular Section of the U.S. Embassy in Tokyo is:
<http://tokyo.usembassy.gov/e/tvisa-main.html>

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov>

Telecommunications

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Japan has excellent telecommunications systems. Fiber optic and ADSL broadband services are available throughout the country. According to a survey by the Ministry of Internal Affairs and Communications, the broadband service availability rate surpassed 95 percent of total households in Japan in 2007. Public WiFi hotspots can be found in increasing numbers airports, cafes and fast food restaurants. The following web site identifies wireless hotspots anywhere around the world: <http://www.hotspot-locations.com>

Public phones, some of which accept only pre-paid cards, are still common but starting to disappear as nearly all communication goes mobile. To call the United States and Canada from Japan, one must dial 0101 before the ten-digit U.S. telephone number.

Almost all Japanese own at least one mobile telephone and use them constantly for e-mailing and downloading information from the Internet in addition to making telephone calls. There are a number of mobile phone networks and providers in Japan, but the Japanese mobile phone system is still not generally compatible with those of other countries, so your existing phone may not work in Japan. To determine if a particular phone is usable in Japan, please contact your service provider prior to visiting Japan. Mobile phones that work in Japan are available for rent at most major airports.

Cell phone rental services at Tokyo's Narita Airport:
http://www.narita-airport.jp/en/guide/service/list/svc_19.html

Transportation

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Japan has excellent, modern highways and roads linking all parts of country. Traffic conditions on expressways and in cities are often very congested, however. Most major

intercity highways operate on a toll basis, and tolls are extremely expensive, making passenger railroad service very competitive, especially for the foreign visitor.

Japan boasts the world's densest and most modern passenger railroad system, with fast, frequent services to all parts of the country. Japan's famous *shinkansen* high-speed rail lines link Tokyo with Japan's major business centers at speeds of up to 185 mph. All of Japan's large cities have highly developed subway and commuter train service. Taxi service is available everywhere.

Language

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The national language of Japan is Japanese (*nihongo*) and is spoken and understood all over the country. English is a required subject in Japanese high schools, and it is by far the most widely known foreign language in Japan. International business correspondence and negotiations in Japan are almost always conducted in English. This being said, however, most Japanese, including business executives, have only a very imperfect understanding and command of English, although there are of course exceptions. Japanese business executives often read English much better than they can speak it or understand it when spoken. It is advisable, therefore, to be accompanied by a competent professional interpreter to all business meetings, especially an initial contact where you might be unsure of your counterparts' mastery of English.

Overseas visitors interested in the Japanese language can visit the following web sites:

"Some Notes on Japanese Grammar"

<http://www.csse.monash.edu.au/~jwb/jgrammar.html>

"Japanese for the Western Brain"

<http://kimallen.sheepdogdesign.net/Japanese/index.html>

Jim Breen's Japanese Page <http://www.csse.monash.edu.au/~jwb/japanese.html>

Health

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Japan poses no medical health risks to the business traveler. While medical care in Japan is good, English-speaking physicians and medical facilities that cater to U.S. citizens' expectations are expensive and not very widespread. Japan has a national health insurance system, which is only available to foreigners with long-term visas for Japan. National health insurance does not pay for medical evacuation or medical care outside of Japan. Medical caregivers in Japan require payment in full at the time of treatment or concrete proof of ability to pay before treating a foreigner who is not a member of the national health insurance plan. Most major credit cards are accepted.

For additional information, please refer to the State Department's "Consular Information Sheet" for Japan at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html.

Local Time, Business Hours, and Holidays

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Time: Japan is 14 hours ahead of U.S. Eastern Standard Time (EST) and 13 hours ahead of Eastern Daylight Time (EDT) from April to October. Consequently, 8:00 a.m.

EST in New York City corresponds to 10:00 p.m. the same day in Tokyo. 8:00 p.m. EST in New York City corresponds to 10:00 a.m. *the next day* in Tokyo.

Hours: The typical Japanese workweek is Monday through Friday, 9:00 a.m. to 5:00 p.m., although many Japanese office workers put in long hours of overtime. Flex work hours have become popular at some large companies. Interestingly, the overwhelming majority of Japanese take their lunch break promptly at 12:00 noon and return to the office at 1:00 p.m. sharp.

Holidays: When a national holiday falls on a Sunday, the following Monday is a compensatory day. In addition, many Japanese companies and government offices traditionally close during the New Year's holiday season (December 28-January 3), "Golden Week" (April 29-May 5) and the traditional "O-Bon" Festival (usually August 12-15).

In 2009, Japan will observe the following official national holidays:

New Year's Day	January 1 (Thursday)
Adult's Day	January 12 (Monday)
National Foundation Day	February 11 (Wednesday)
Vernal Equinox Day	March 20 (Saturday)
Showa Day	April 29 (Wednesday)
Constitution Memorial Day	May 3 (Sunday, to be observed Wednesday May 6)
Greenery Day	May 4 (Monday)
Children's Day	May 5 (Tuesday)
Marine Day	July 20 (Monday)
Respect for the Aged Day	September 21 (Monday)
Autumnal Equinox Day	September 23 (Wednesday)
Health & Sports Day	October 12 (Monday)
National Culture Day	November 3 (Tuesday)
Labor Thanksgiving Day	November 23 (Monday)
Emperor's Birthday	December 23 (Wednesday)

Temporary Entry of Materials and Personal Belongings

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There is no restriction for temporary entry of laptop computers and software for personal use. Regarding materials for exhibits, Japan is a member of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials under the ATA *carnet* System (<http://www.atacarnet.com>). Use of a *carnet* allows goods such as commercial and exhibition samples, professional equipment, musical instruments and television cameras to be carried or sent temporarily into a foreign country without paying duties or posting bonds. These goods cannot be sold. A *carnet* should be arranged for in advance by contacting a local office of the United States Council for International Business or its helpline at (800) ATA-2900.

Web Resources

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Doing business in Japan:

U.S. Commercial Service Japan: <http://www.buyusa.gov/japan/en/doing.html>

Venture Japan: Doing Business in Japan

How to Succeed in the Japanese Market:

<http://www.venturejapan.com/index.htm>

Consular information & official travel advisories for Japan:

U.S. Department of State:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html

U.S. visas:

U.S. Department of State: <http://travel.state.gov/visa/index.html>

U.S. Embassy Tokyo Consular Section: <http://tokyo.usembassy.gov/e/tvisa-main.html>

Japanese customs, etiquette, and culture:

<http://www.japan-guide.com>

<http://www.thejapanfaq.com>

<http://www.planettokyo.com>

Japanese language:

"Some Notes on Japanese Grammar"

<http://www.csse.monash.edu.au/~jwb/jgrammar.html>

"Japanese for the Western Brain"

<http://kimallen.sheepdogdesign.net/Japanese/index.html>

Jim Breen's Japanese Page

<http://www.csse.monash.edu.au/~jwb/japanese.html>

Business infrastructure:

Japan National Tourist Organization (JNTO): <http://www.jnto.go.jp>

Health:

U.S. Department of State; Consular Information Sheet for Japan

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html

Temporary entry of materials under the *carnet* system: <http://www.atacarnet.com>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
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Contacts

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U.S. EMBASSY TRADE PERSONNEL

Commercial Service Tokyo

John Peters, Minister-Counselor for Commercial Affairs

U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420

Tel: +81/3/3224-5060; fax: 3589-4235

Web: <http://www.buyusa.gov/japan/en>

Greg Loose, Counselor for Commercial Affairs

Pat Cassidy, Commercial Attaché (Major Projects Unit)

Dean Matlack, Commercial Attaché (Market Access and Compliance Unit)

Helen Peterson, Commercial Attaché (Healthcare, Fisheries and Tourism Unit)

Catherine Spillman, Commercial Attaché (Consumer Goods Unit)

Mark Wildman, Commercial Attaché (Advanced Technologies Unit)

Commercial Service Osaka-Kobe

Bradley Harker, Commercial Consul

U.S. Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543

Tel: +81/6/6315-5957; fax: 6315-5963

E-mail: osaka-kobe.office.box@mail.doc.gov

Commercial Service Nagoya

Edward Yagi, Commercial Consul

U.S. Consulate Nagoya, Nagoya International Center Building, 6F

47-1 Nagono 1-chome, Nakamura-ku, Nagoya 450-0001

Tel: +81/52/581-4451; fax: 581-4523

E-mail: nagoya.office.box@mail.doc.gov

Commercial Service Sapporo

Ian Hillman, Economic/Commercial Officer

Misa Shimizu, Commercial Specialist

U.S. Consulate General Sapporo, Nishi 28, Kita 1, Chuo-ku; Sapporo 064-0821

Tel: +81/11/641-1115; fax: 643-1283

E-mail: misa.shimizu@mail.doc.gov

Consulate Fukuoka

James Crow, Economic/Commercial Officer

American Consulate Fukuoka, 2-5-26 Ohori, Chuo-ku, Fukuoka 810-0052

Tel: +81/92/751-9331; fax: +81/92/725-3772

E-mail: CrowJT@state.gov

Consulate General Naha (Okinawa)
Kevin Maher, Consul General
Akinori Hayashi, Commercial Specialist
American Consulate General Naha, 2-1-1 Toyama, Urasoe City
Okinawa 901-2101
Tel: +81/98/876-4211; fax: 876-4243
E-mail: HayashiAX@state.gov

Foreign Agricultural Service
Geoffrey Wiggin, Minister-Counselor for Agricultural Affairs
Paul Spencer, Senior Agricultural Attaché
Deanna Ayala, Agricultural Attaché/Deputy ATO Director
Stephen Wixom, Agricultural Attaché
U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
(U.S. Address: Unit 9800, Box 475, APO AP 96303-0475)
Tel: +81/3/3224-5105; fax: 3589-0793
Web: <http://www.usdajapan.org>
E-mail: agtokyo@fas.usda.gov

Agricultural Trade Office (Tokyo)
Michael Conlon, Director
Deanna Ayala, Agricultural Attaché/Deputy ATO Director
U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
(U.S. Address: Unit 9800, Box 591, APO AP 96303-0591)
Tel: +81/3/3505-6050; fax: 3582-6429
Web: <http://www.usdajapan.org>
E-mail: atotokyo@fas.usda.gov

Agricultural Trade Office (Osaka)
Masahiro Matsumoto, Senior Marketing Specialist
American Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543
(U.S. Address: Unit 9800, Box 355, APO AP 96303-0355)
Tel: +81/6/6315-5904; fax: 6315-5906
Web: <http://www.usdajapan.org>
E-mail: atoosaka@fas.usda.gov

Economic Section (State Department)
Robert Cekuta, Minister-Counselor for Economic Affairs
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5022; fax: 3224-5019

Energy Department
Ronald Cherry, Energy Attaché
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5444; fax: 3224-5769

Treasury Department
Robert Kaproth, Financial Attaché
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420

3/3/2009

Tel: +81/3/3224-5486; fax: 3224-5490

CHAMBERS OF COMMERCE/TRADE ASSOCIATIONS

American Chamber of Commerce in Japan (ACCJ)

Sam Kidder, Executive Director

Masonic 39 MT Bldg. 10F; 2-4-5 Azabudai, Minato-ku; Tokyo 106-0041

Tel: +81/3/3433-5381; fax: 3433-8454

Web: <http://www.accj.or.jp>

American Chamber of Commerce in Japan (ACCJ) Kansai Chapter

Keizo Yamada, Director Chapter Office - Kansai

Dojima Park Bldg. 5F, 1-1-8 Dojimahama, Kita-ku, Osaka 530-0004

Tel: +81/6/6345-9880; fax: 6345-9890

Web: <http://www.accj.or.jp/user/293/Kansai/>

American Chamber of Commerce in Japan (ACCJ) Chubu Chapter

Noriko Kato, Chubu Operations Manager

Marunouchi Fukao Bldg. 5F; 2-11-24 Marunouchi, Naka-ku, Nagoya 460-0002

Tel: +81/52/229-1525; fax: 222-8272

Web: <http://www.accj.or.jp/user/298/Chubu/>

Japan Business Federation (Nippon Keidanren)

International Economic Affairs Bureau

1-9-4 Otemachi, Chiyoda-ku, Tokyo 100-8188

Tel: +81/3/5204-1500; fax: 5255-6233

Web: <http://www.keidanren.or.jp>

Japan Association of Corporate Executives (Keizai Doyukai)

Nihon Kogyo Club Bldg. Annex 5F, 1-4-6 Marunouchi, Chiyoda-ku, Tokyo 100-0005

Tel: +81/3/3284-0220; fax: 3212-3774

Web: <http://www.doyukai.or.jp/en>

Japan Foreign Trade Council, Inc.

International Affairs and Research Group

World Trade Center Bldg. 6F, 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-6106

Tel: +81-3-3435-5966/5959; fax: +81/3/3435-5979

Web: http://www.jftc.or.jp/english/home_e.htm

Japan-U.S. Business Council

Otemachi Bldg., Room 439, 1-6-1 Otemachi, Chiyoda-ku, Tokyo 100-0004

Tel: +81/3/3216-5823; fax: 3284-1576

Web: <http://www.jubc.gr.jp/eng/index.html>

Japan Chamber of Commerce and Industry

International Division

Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005

Tel: +81/3/3283-7601; fax: 3216-6497

Web: <http://www.jcci.or.jp/home-e.html>

Tokyo Chamber of Commerce and Industry

International Division

Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005

Tel: +81/3/3283-7601; fax: 3216-6497

Web: <http://www.tokyo-cci.or.jp/english/index.html>

Osaka Chamber of Commerce and Industry

International Division

2-8 Honmachi-bashi, Chuo-ku, Osaka 540-0029

Tel: +81/6/6944-6404; fax: 6944-6293

Web: <http://www.osaka.cci.or.jp/e>

Kansai Economic Federation (Kankeiren)

International Affairs Department

Nakanoshima Center Bldg. 30F, 6-2-27, Nakanoshima, Kita-ku, Osaka 530-6691

Tel: +81/6/6441-0104; fax: 6441-0443

Web: <http://www.kankeiren.or.jp/English>

Kansai Association of Corporate Executives (Kansai Keizai Doyukai)

Executive & Administrative Dept./Planning & Research Dept.

Nakanoshima Center Bldg. 28F, 6-2-27, Nakanoshima, Kita-ku, Osaka 530-6691

Tel: +81/6/6441-1031; fax: 6441-1030

Web: <http://www.kansaidoyukai.or.jp>

Nagoya Chamber of Commerce & Industry (NCCI)

International Group

2-10-19 Sakae, Naka-ku, Nagoya 460-8422

Tel: +81/52/223-5729; fax: 232-5751

Web: <http://www.nagoya-cci.or.jp/eng>

Kyushu Economic Federation (Kyuokeiren)

Tenjin Central Place 6F, 1-10-24 Tenjin, Chuo-ku, Fukuoka 810-0001

Tel: +81/92/761-4261; fax: 724-2102

Web: <http://www.kyukeiren.or.jp/english/index.html>

Fukuoka Chamber of Commerce and Industry

International Center

9-28 Hakata Ekimae 2-chome, Hakata-ku, Fukuoka 812-8505

Tel: +81/92/441-1117; fax: 441-1600

Web: <http://www.fukunet.or.jp/english/index.html>

Fukuoka Foreign Trade Association

Fukuoka Chamber of Commerce and Industry Bldg., 7F

Hakata Ekimae 2-9-28, Hakata-ku, Fukuoka 812-8505

Tel: +81/92/452-0707; fax: 452-0700

Web: <http://www.fukuoka-fta.or.jp/english/index.html>

AGRICULTURAL TRADE ASSOCIATIONS

Japan Chain Stores Association

Toranomon NN Bldg., 11F., 1-21-17 Toranomon, Minato-ku, Tokyo 105-0001

Tel: +81/3/5251-4600; fax: 5251-4601

Web: <http://www.jcsa.gr.jp>

All Nippon Kashi Association

JB Bldg., 7F, 6-9-5 Shimbashi, Minato-ku, Tokyo 105-0004

Tel: +81/3/3431-3115; fax: 3432-1660

E-mail: anka-0@nifty.com

Japan Convenience Foods Industry Association

Kimura Bldg. 3F, 5-5-5 Asakusabashi, Taito-ku, Tokyo 111-0053

Tel: +81/3/3865-0811; fax: 3865-0815

E-mail: daihyo@sokuseki-kyokai.com

Web: <http://www.instantramen.or.jp/english/index.html>

Japan Dairy Industry Association

Nyugyo Kaikan 4F, 1-14-19 Kudan Kita, Chiyoda-ku, Tokyo 102-0073

Tel: +81/3/3261-9161; fax: 3261-9175

Web: <http://www.jdia.or.jp>

Japan Dehydrated Vegetable Association

1-9-12 Irifune, Chuo-ku, Tokyo 104-0042

Tel: +81/3/5117-2661; fax: 3552-2820

E-mail: kaz@primero.jp

Japan Food Service Association

1-29-6, Hamamatsucho, Minato-ku, Tokyo 105-0013

Tel: +81/3/5403-1060; fax: 5403-1070

E-mail: info-jf@jfnet.or.jp

Web: <http://www.jfnet.or.jp>

Japan Frozen Food Association

Katsuraya Dai 2 Bldg. 6F, 10-6 Nihonbashi Kobunacho, Chuo-ku, Tokyo 103-0024

Tel: +81/3/3667-6671; fax: 3669-2117

E-mail: info@reishokukyo.or.jp

Web: <http://www.reishokukyo.or.jp>

Japan Fruit Juice Association

Zenkoku Tobacco Bldg., 3F., 1-10-1 Shibadaimon, Minato-ku, Tokyo 105-0012

Tel: +81/3/3435-0731; fax: 3435-0737

E-mail: kaju-kyo@cello.ocn.ne.jp

Web: <http://www.kaju-kyo.ecnet.jp>

Japan Health Food & Nutrition Food Association

2-7-27 Ichigaya Sadohara-cho, Shinjuku-ku, Tokyo 162-0842

Tel: +81/3/3268-3134; fax: 3268-3136

E-mail: jhnfa@jhnfa.org

Web: <http://www.jhnfa.org>

Japan Nut Association

Kohinata Bldg., 203, 2-18-10 Shinkawa, Chuo-ku Tokyo 104-0033

Tel: +81/3/6662-6527; fax: 6662-6528

E-mail: jna@jt5.so-net.ne.jp

Web: <http://www.jna-nut.com>

Japan Self-Service Association

Sakurai Bldg. 6F, 3-19-8 Uchi-kanda, Chiyoda-ku, Tokyo 101-0047

Tel: +81/3/3255/4825; fax: 3255-4826

E-mail: selkyo@jssa.or.jp

Web: <http://www.jssa.or.jp>

Japan Restaurant Association

BM Kabutocho Bldg., 11-7 Nihonbashi Kabutocho, Chuo-ku, Tokyo 103-0026

Tel: +81/3/5651-5601; fax: 5651-5602

E-mail: info@jpnrestaurant.org

Web: <http://www.joy.ne.jp/restaurant>

Japan Wine And Spirits Importers' Association

Daiichi Tentoku Bldg., 1-13-5 Toranomon, Minato-ku, Tokyo 105-0001

Tel: +81/3/3503-6505/6506; fax: 3503-6504

Web: <http://www.youshu-yunyu.org/english/index.html>

JAPANESE GOVERNMENT AGENCIES

Ministry of Economy, Trade and Industry (METI)

Trade & Investment Facilitation Division

1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8901

Tel: +81/3/3501-1662; fax: 3501-2082

Web: <http://www.meti.go.jp/english/index.html>

Japan External Trade Organization (JETRO)

Invest Japan Dept.

Ark Mori Bldg., 6F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006

Tel: +81/3/3582-5410; fax: 3584-6024

Web: <http://www.jetro.go.jp>

JETRO "Invest Japan" Business Support Center

Ark Mori Bldg., 7F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006

Tel: +81/3/3582-4686; fax: 3584-6024

Web: <http://www.jetro.go.jp/en/invest/investmentservices/ibsc>

Manufactured Imports and Investment Promotion Organization (MIPRO)

World Import Mart 6F, 3-1-3 Higashi-Ikebukuro, Toshima-ku, Tokyo 170-8630

Tel: +81/3/3988-2791; fax: 3988-1629

Web: <http://www.mipro.or.jp>

For further contact information of Japanese government agencies and quasi-governmental organizations, please contact Commercial Service Japan offices.

MARKET RESEARCH FIRMS IN JAPAN

A.T. Kearney K.K.

ARK Mori Bldg. East 32F, 1-12-32 Akasaka, Minato-ku, Tokyo 107-6032

Tel: +81/3/5561-9155; fax: 5561-9190

Web: <http://www.atkearney.co.jp>

The Boston Consulting Group K.K.
The New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo 102-0094
Tel: +81/3/5211-0300; fax: 5211-0333
Web: <http://www.bcg.co.jp>

Deloitte Touche Tohmatsu
MS Shibaura Bldg., 4-13-23, Shibaura, Minato-ku, Tokyo 108-8530
Tel: +81/3/3457-7321; fax: 3457-7426
Web: <http://www.deloitte.com>

Fuji Chimera Research Institute, Inc.
F.K Bldg., 2-5 Nihonbashi-Kodenma-cho, Chuo-ku, Tokyo 103-0001
Tel: +81/3/3664-5841; fax: 3661-6920
Web: <http://www.fcr.co.jp/en/index.html>

Japan Research Institute, Ltd.
16 Ichibancho, Chiyoda-ku, Tokyo 102-0082
Tel: +81/3/3288-4700; fax: 3288-4750
Web: <http://www.jri.co.jp/english/index.html>

Nikkei Research Inc.
Park Side 1 Bldg., 2-2-7 Kanda Tsukasa-cho, Chiyoda-ku, Tokyo 101-0048
Tel: +81/3/5296-5103; fax: 5296-5124
Web: <http://www.nikkei-r.co.jp/english>

Mitsubishi UFJ Research and Consulting Co., Ltd.
2-16-4 Konan, Minato-ku, Tokyo 108-8428
Tel: +81/3/6711-1200; fax: 6711-1209
Web: <http://www.murc.jp/english/index.html>

Yano Research Institute Ltd.
Nakanosakaue Central Bldg., 2-46-2 Honcho, Nakano-ku, Tokyo 164-8620
Tel: +81/3/5371-6900; fax: 5371-6965
Web: <http://www.yanoresearch.com>

U.S. FEDERAL GOVERNMENT

U.S. Commerce Dept. Trade Information Center, Washington DC
Tel: 1-800-USA-TRADE; fax: 202-482-4473
Email: tic@ita.doc.gov
Web: <http://www.trade.gov/td/tic>

U.S. Department of Commerce
Assistant Secretary
Director General of the U.S. Commercial Service
International Trade Administration
1401 Constitution Avenue, N.W., Washington, DC 20230
Web: <http://www.export.gov>

U.S. Commerce Dept. Market Access and Compliance Country Desk
Office of Japan
Keith Roth, Director
International Trade Administration
Room 2320, 14th Street and Constitution Avenue, N.W.
Washington, DC 20230
Tel: 202-482-2515; fax: 202-482-0469
Email: Keith.Roth@mail.doc.gov
Web: <http://www.mac.doc.gov/japan>

U.S. Department of Agriculture
Foreign Agricultural Service
1400 Independence Ave., S.W., Washington, DC 20250
E-mail: info@fas.usda.gov
Web: <http://www.fas.usda.gov>

U.S. Department of State
Commercial and Business Affairs Office
2201 C Street, N.W., Room 2318, Washington, DC 20520
Tel: 202-647-1625; fax: 202-647-3953
E-mail: BusinessOutreachweb@state.gov
Web: <http://www.state.gov/business>

Export-Import Bank of the United States (Ex-Im Bank)
811 Vermont Avenue, N.W.
Washington, DC 20571
Tel: (202) 565-3946 (EXIM) or (800) 565-3946 (EXIM)
E-mail: info@exim.gov
Web: <http://www.exim.gov>

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: 202-336-8400; fax: 202-336-7949
E-mail: info@opic.gov
Web: <http://www.opic.gov>

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

In addition, each year the Foreign Agricultural Service offices in Tokyo and Osaka prepare more than 100 reports on food market developments in Japan. These include sector studies, product-specific market briefs and reports on market-opening and other trade policy developments. All reports are available on-line by accessing the Foreign Agricultural Service web site at <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>.

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

Please click on the link below for information regarding upcoming trade events in Japan specifically: <http://www.buyusa.gov/japan/en/event.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/japan/en>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.